

# The NATIONAL UNDERWRITER

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## McConnell Says '100-to-1' Group Plans Violate Cal. Law's Intent

SAN FRANCISCO—California department attorneys feel that certain provisions of the California insurance code were intended to prohibit the kind of group life schedule in which the top man gets \$100,000 of coverage and the rest get \$1,000 each, according to a letter from Commissioner McConnell in answer to an inquiry from California Assn. of Life Underwriters. "It is felt a schedule so extreme would be prima facie evidence of a plan to allow 'individual selection' of amount by the man with the highest salary," Mr. McConnell wrote. "Under certain circumstances, such a plan of insurance could show that it was issued for the benefit of the employer in violation of section 10202(d). You state your examples were in non-contributory cases. The impropriety would be more pronounced in a contributory case."

Mr. McConnell said the pertinent

provisions of the code had never been made the subject of a bulletin or ruling by a California commissioner but are considered by deputies in granting policy approvals. It is customary, he said, for deputies to pass policies containing blank schedules provided they are accompanied by "fill-in material" alleged to be typical of what will be used in the proposed policies.

### Asks for Study

While this fill-in material has never indicated as wide a swing in amount as \$100,000 to \$1,000, Mr. McConnell said that "I am advised if you can bring to our attention specific cases of this kind that we should study the cases to determine whether the individual policies were issued with amounts of insurance disproportionate to any impliedly authorized by the department by approval of the policy form."

Executive Vice-president Donald C. Burns of the California association said association leaders are "delighted" with Commissioner O'Connell's answer and the association is notifying local associations at once so they can ask their members for specific examples of the kind of cases it had asked the department about.

The letter to Mr. McConnell was written by Edward Neisser, Massachusetts Mutual, Los Angeles, who was then president of the California association. Mr. McConnell's reply was dated July 13 but was just this week released by him for publication. Here is Mr. Neisser's letter, followed by the full text of Mr. McConnell's reply:

### Text Of Inquiring Letter

"I have been directed by the steering committee to write for an interpretation of the California insurance

(CONTINUED ON PAGE 19)

## O'Mahoney Group Highly Critical Of State Regulation

### Scores Examinations And Departmental Indifference Toward Insurer Mergers

The report of the Senate anti-trust and monopoly subcommittee has been released. Aside from the minority views of Sen. Wiley and another minority report by Sens. Dirksen and Hruska, which had been previously released, the 340-page document deals principally with the shortcomings in state regulation of the business. The majority's opinion of the aviation and ocean marine insurance business are contained in the report but already had been publicized. Much of the comment on state regulation had not been.

Though the subcommittee's conclusions with respect to state regulation and regulators are couched in moderate language, they are nevertheless, uniformly critical. The group is especially critical of company examinations. The final paragraph of this section notes that it has been more than 36 years since the suggestions for renovation and strengthening of state regulation were made by E. W. Patterson in his book, *The Insurance Commissioner in the United States*. Subsequently, in the late 1930s, the Temporary National Economic Committee's inquiry into insurance and its regulation, which, like the present investigation, was conducted by Sen. O'Mahoney, resulted in additional suggestions for improvement.

"Now, after another study," the report points out, "recommendations are being made by this subcommittee. It is hoped that these suggestions will not be again ignored by the states. It

(CONTINUED ON PAGE 16)

## Purser Heads GAMC Slate; R. B. Pitcher, Smith Next In Line

Carr R. Purser, Penn Mutual, New York City, has been nominated for



Carr R. Purser

chairman of General Agents & Managers Conference of NALU. He now is GAMC 1st vice-chairman and chairman of the rules and regulations committee.

Robert B. Pitcher, John Hancock, Boston, is slated to move from 2nd vice-chairman to 1st vice-chairman.

C. Carney Smith, Mutual Benefit Life, Washington, D. C., now secretary of GAMC, is nominated to become 2nd vice-chairman.

Nominated to succeed him as secretary is L. Kent Babcock, Aetna Life, Philadelphia. L. V. Drury, Sun Life of Canada, Philadelphia, heads the nominating committee.

The major difference between the Senate and House bills is an amendment to the former which authorizes

### GROUP UP 95%

## Ordinary Sales In July Down 7%, As Total Hits Record

Ordinary sales for July were \$4,098,000,000, off 7%, according to LIAMA. However, total sales set a July record of \$5,923,000,000, up 6%, while total sales for the first seven months were \$41,094,000,000, up 3%.

Ordinary sales for the seven-month period were \$29,677,000,000, down 1%. The ordinary figure includes \$348 million in 1960 and \$392 million in 1959 "written as individual policies on groups of persons."

Responsible for the July record total sales was the sharp rise in group sales to \$1,284,000,000, a 95% increase. Group sales for the seven months were \$7,382,000,000, a gain of 29%.

July industrial sales totaled \$541 million, a negligible percentage decline and a dollar drop of \$2 million. For the seven months, industrial sales were \$4,035,000,000, down 1%.

federal aid for state care of tuberculosis and mental illness patients.

In commenting on the house bill during committee hearings earlier this year, health insurance spokesmen advised Congress to go slow in adopting a federal health care program for the aged, but if any bill were to become law, they said, the House version would be the least offensive to the industry. It can be supposed, therefore, that the degree of the health insurance business acceptance of the Senate version would be in relation to how much it deviates from the plan approved by the House.

Differences between the two bills will have to be ironed out in joint committee, and there is a possibility that those members of the committee will work to drop the tuberculosis and mental illness provision.

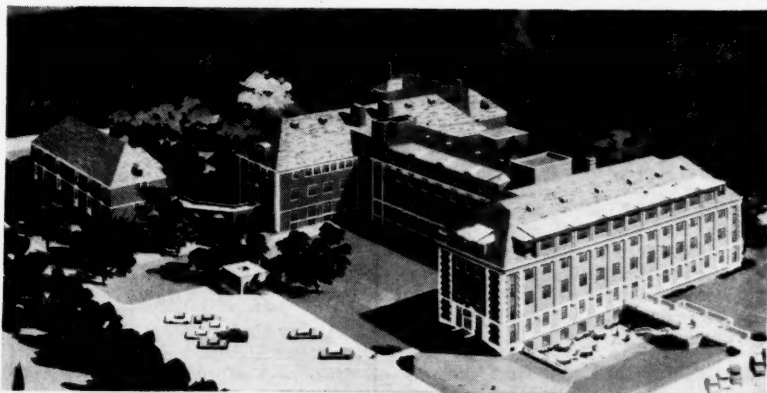
## Auction Bids Top Market In Sale Of Eastern Life Stock

By JUD HIGGINS

NEW YORK—An unusual sale of a block of 6,717 shares of life stock—by public auction—proved to be a great success, but the proceeds may never find their way to the sellers. On the auctioneer's block at the Hotel Martinique here was Eastern Life stock belonging to missing stockholders of Judea Industrial Corp., a holding company under liquidation. The buyer was Saul Sendar, of Sendar Co., a glass manufacturer of this city, for \$27 1/2 per share, or \$184,241.

Judea Industrial had holdings in Judea Ins. Co. of Tel Aviv, which it

(CONTINUED ON PAGE 19)



The section of the building shown in the foreground is the projected addition to the Pilot Life home office in Greensboro, to be built at a cost of \$1.8 million. Contracts have been awarded. The addition will be 190 feet long, 60 feet wide and will add about 73,500 square feet of office space, which now have about 97,000 square feet. It will be completely air-conditioned.

A strikingly decorated cafeteria, seating 450 persons, will occupy the ground floor and will open onto an outside patio 40 by 80 feet. The first floor will be devoted to tabulating machinery. The next three floors will house operational and administrative offices. The addition will provide for expansion needs for another 10 years.

## IRS's Strategy Against Financed Life Insurance Analyzed By AALU

As an aid in developing future policy, the officers of Assn. of Advanced Life Underwriters recently requested their Washington counsel to prepare a memorandum reviewing the interest deduction cases since 1958 and to give their opinion with respect to the anticipated future course of such cases. The memorandum traces the interest deduction cases from the financed bond situations, through financed annuities, to the present time, when the Internal Revenue Service is apparently embarking on extensive litigation over financed life insurance. In the opinion of AALU counsel, Leonard L. Silverstein and Gerald H. Sherman, a protracted period of litigation can be expected before the interest deduction question approaches a resolution in the courts.

Except for an introductory sentence and the footnotes, the memorandum is given here in full:

The major Federal tax legislation of the 85th Congress was the technical

### 10 Candidates To Succeed Sullivan At Washington

Ten candidates—eight Democrats and two Republicans—have filed for nomination in the primary Sept. 13 for election in November to succeed William A. Sullivan as Washington insurance commissioner.

When he announced recently that he would not be a candidate for reelection, Mr. Sullivan endorsed his deputy, Lee I. Kueckelhan. However, Mr. Kueckelhan has serious opposition from Dan Sullivan, a Seattle attorney. Another Sullivan, John P. Sullivan of Tacoma, withdrew from the race in favor of Dan Sullivan. The name Sullivan has been magic in Washington since 1932, and on that basis alone Dan Sullivan rates as a contender.

#### Kennedy Has Chance

Another Democrat given a chance is Robert T. Kennedy, Seattle attorney, who also has a name familiarity. Also in the contest is Garland D. Connor Jr., who was unsuccessful candidate on the Republican ticket in the last two campaigns.

The Republican candidates are Fred C. Becker, who has won the Republican nomination four times and has lost the election to Mr. Sullivan each time, and Robert S. Coplen, Seattle adjuster.

## Deaths

**JOSEPH SANDERS**, 82, senior vice-president of Equitable of Washington, D.C., died. Mr. Sanders, aside from his activities in the life insurance business, had been a pioneer in the invention of disc records and the development of the phonograph.

**T. J. McCOMB**, 84, first commissioner of Oklahoma, died at Oklahoma City. He moved to Oklahoma from Texas in 1900, and organized and served as first president of Oklahoma Assn. of Life Underwriters before Oklahoma became a state. Mr. McComb ran for commissioner at the urging of his friends in the insurance business, but he declined to run for a second term. He wrote the insurance provision in the state constitution.

amendments act of 1958 which made a number of changes in the 1954 internal revenue code. During the congressional deliberations that preceded the passage of the legislation, the Treasury Department requested that the Congress insert a provision which would have disallowed the deduction for interest paid on money borrowed to pay life insurance premiums.

However, after extensive consideration, Congress rejected the proposal. Subsequent to the legislative activity, the Treasury Department turned to the courts in an attempt to obtain disallowance. Within the past two years, in reflection of the Treasury litigation activity, a series of cases concerning the interest deduction has arisen.

#### Statutory Provisions Cited

Under the 1954 internal revenue code there is "allowed as a deduction all interest paid or accrued within the taxable year on indebtedness." Although the Treasury regulations do not explicitly define interest, the Supreme Court has stated that it is the amount paid for the use or forbearance of money.

Among the stated exceptions to this general rule is the disallowance of a deduction for "any amount paid or accrued on indebtedness incurred or continued to purchase or carry a single premium life insurance, endowment or annuity contract." A single premium contract is one which is substantially fully paid within four years.

#### Increment Might Be Tagged

"Interest on indebtedness incurred or continued to purchase or carry obligations, the interest on which is wholly exempt from . . . taxes" is also non-deductible. It is doubtful that this exception applies to interest incurred to finance insurance since it would be difficult to categorize as interest income the increment measured by the face amount of a policy over the premiums paid. However, until this point is passed upon by the courts, the possibility of such categorization exists.

Generally, although not completely, the cases decided within the past two years fall within two broad factual

(CONTINUED ON PAGE 9)

#### Good Hall For Pacific Fidelity

Pacific Fidelity Life reports it increased insurance in force by \$89.5 million in the first half of 1960. At June 30, the company had a total of \$427,897,320 of insurance in force, compared with \$338,389,941 at the end of 1959, and with \$263,420,281 at June 30, 1959. New paid ordinary business, excluding group, in the first six months of this year was up 350% from first half of business in 1959.

#### New Iowa Handbook Is Published

A new Underwriters Handbook of Iowa has just been published by the National Underwriter Company. It provides complete and up-to-date information on the agencies, companies, field men, general agents, groups and other organizations affiliated with insurance throughout the state. Copies of the new Iowa handbook may be obtained from the National Underwriter Company at 420 East Fourth Street, Cincinnati 2, Ohio. Price \$12.50 each.

Four "billion dollar babies" helped Minnesota Mutual Life celebrate its 80th anniversary. Four children, shown here with President Harold J. Cummings, all have received educational policies from employees to commemorate various highlights in company's growth. They were chosen according to needs, intelligence, and potential for making best use of higher education. Kathleen Cullison, left, was chosen from Chicago orphanage to represent company when it reached billion dollar mark of insurance in force. Twins Karen and Carol Newman, were selected from Minneapolis crippled children's hospital when Minnesota Mutual attained \$2 billion in force. Patrick Micheal, orphan from St. Paul, helped celebrate opening of multi-million dollar home office building. "The future of the world rests in the hands of children like these," Mr. Cummings said. "The employees of Minnesota Mutual have chosen this means to dramatically show just what life insurance can do and what life insurance is doing every day."



#### EIGHT DAYS LISTED

## Timetable For NALU Convention Is Given

WASHINGTON—NALU has announced the complete schedule of events for its annual convention, to be held here Sept. 11-16. The timetable includes a number of pre-convention events, on Sept. 10.

#### Saturday, Sept. 10

9:00 Opening of all-day meetings of NALU board, executive secretaries workshop and American Society of CLU board.

12:30 Luncheon, NALU board and executive secretaries.

6:30 Dinner, NALU board and executive secretaries.

9:00 Executive committee meeting, Women Leaders Round Table.

#### Sunday, Sept. 11

9:00 Breakfast, American Society of CLU regional new candidate committee.

1:45 Dedication of NALU headquarters building.

6:15 Women Leaders Round Table "Sellarama."

9:00 WLRT annual meeting.

#### Monday, Sept. 12

8:15 NALU "Earlybird" breakfast. 900 American Society of CLU board meeting.

9:15 NALU committee meetings (open to all registrants and guests).

12:15 NALU luncheon.

2:00 NALU committee meetings.

5:00 Reception and dinner, sponsored by LUTC, for executive secretaries.

6:30 WLRT reception.

7:30 WLRT dinner.

8:30 Association workshop. "NALU Playhouse" presents "Our Slip Is Showing."

9:00 NALU board meeting.

#### Tuesday, Sept. 13

7:45 State association breakfasts—California, Colorado, New York and Tennessee.

8:00 NALU advance and regular registration starts.

9:00 NALU national council.

10:00 American College board (all day).

10:00 White House tour for women guests.

12:15 LUTC luncheon.

2:00 NALU national council.

7:00 Dinner, American College board.

8:30 Agents' forum. Discussion of issues and personalities in the 1960 presidential election.

9:00 NALU board meeting.

#### Wednesday Sept. 14

7:00 American Society of CLU "coffee congress."

7:30 Alabama association breakfast.

7:45 Breakfast and annual meeting American Society of CLU.

9:00 NALU general convention session.

12:15 Luncheon, General Agents & Managers Conference.

2:00 GAMC management program.

3:30 Puerto Rican festival. (Especially for the ladies, but open to all.)

6:30 Dinner and conferment exercises, American College and American Society of CLU.

9:30 Potomac "riverboat jamboree."

#### Thursday, Sept. 15

7:30 Texas "Trained Seals" breakfast.

7:45 State association breakfasts—New Jersey and Wisconsin.

7:45 NALU past presidents' breakfast.

7:45 State association presidents' dutch-treat breakfasts.

8:00 NALU advance and regular registration.

9:00 NALU general convention session.

12:15 Agency Management and training committee luncheon.

12:30 Million Dollar Round Table Foundation luncheon.

1:45 NALU national council.

6:00 Company receptions and dinners.

10:00 NALU president's reception and ball.

#### Friday Sept. 16

9:45 NALU fellowship "brunch."

1:00 NALU board of trustees.

#### Saturday Sept. 17

9:00 NALU board of trustees.





## business is booming

What does it take to sell a tuba? Three things, as we see it. (A.) A customer who wants a tuba. (B.) A salesman who knows tubas. (C.) A tuba.

We're particularly interested in (B.) above. It's our firm opinion that the same fundamental rule applies to insurance as to tubas or turkeys or tubs. The man who sells a product or service is *most* successful when he knows a great deal about it.

That is why Provident Mutual continually encourages its agents to pursue L.U.T.C. and C.L.U. courses. In addition, the Company sponsors schools and seminars which cover a range of insurance subjects from basics to advanced underwriting. Add

invaluable Field and Home Office training programs ... and always-available advice from experienced Home Office personnel. The sum of all this is a very adequate program for agent know-how!

Good tuba salesmen and Provident Mutual agents, then, have this in common: they both *know* their product. That's why they know success.

**Provident Mutual**  
Life Insurance Company of Philadelphia

## 25-Year CLU Class To Be Recognized At Conferment Fete

Members of the CLU class of 1935 will be accorded special recognition when the American College holds its national conferment exercises in Washington, D. C., Sept. 14.

### 20 Of 166 To Attend

Announcements were sent out by Dr. S. S. Huebner, president emeritus of the college, to each of the 25-year class members inviting them to sit at a special head table during the conferment of the diplomas at this year's exercises. Of the 166 class members, approximately 20 will be in attendance when their class receives recognition at the dinner and exercises in the Statler-Hilton preidential ballroom. Twenty-five of the original class have died, and no addresses could be found for 13.

The class of 1935 includes many prominent members in its ranks. Among them is Spencer L. McCarty, Provident Mutual, Albany, for many years managing director of the New York State Assn. of Life Underwriters.

### Many Are At Home Offices

Among the 25-year class graduates who have assumed home office positions in their respective companies are Alfred N. Florentz, vice-president and secretary of Union Life of Little Rock; Edward A. Frerichs, vice-president and agency director of Security Mutual Life of Nebraska and past president of LIAMA; Loper B. Lowry, vice-president and assistant to the president of Gulf Life; George Vinsonhaler, vice-president general agencies, John Hancock, and Frank O. H. Williams, Connecticut General's senior vice-president.

The class roster reveals some other newsworthy items about its class members. Francis J. Van Stralen, Massachusetts Mutual general agent, and Charles W. Cammack Jr., John Hancock Mutual (whose brother, Howard H. Cammack, was the 1950-51 American Society of CLU president) have sons who completed the five-part CLU exams this year and may qualify for the CLU designation after meeting the other college requirements.

Another member of the class, Basil S. Collins, retired vice-president of the Old Colony Trust Co. of Boston, has been active in the CLU movement and in addition has taught CLU classes for 15 years. The class also has a staunch

supporter in Elbridge G. Deane of New York Life, who attended the 1959 CLU institute in Madison, Wis., where he celebrated his 80th birthday.

At the conference exercises this year, the college will grant CLU designations and the diploma in agency management to persons meeting the college's professional examination, experience and ethical requirements. As in the past, Dr. Huebner will administer the professional CLU pledge to those successful candidates attending the exercises.

### Myrick Conferment Speaker

Julian S. Myrick, Mutual of New York, New York City, chairman of American College, will deliver the conferment address.

Following is the 1935 class roster:

Thomas W. Abbott (deceased); Gordon Abrams, Northwestern National, Washington, D. C.; Mrs. Martha Washburn Allin (deceased); Robert L. Altick, Oswego, Ore.; Lawson L. Archibald (deceased); Dinshaw B. Avari, Karachi, India; John C. Ballantine, Equitable Society, Waukegan, Ill.; Nelson E. Baxter, Peoria, Ill.; Frederick A. Becker, John Hancock, Lynbrook, N. Y.; Eastman H. Benedict, General American, Tulsa; Ralph D. Bickford, Batavia, N. Y.; Millard F. Bingham, Mutual Benefit Life, Springfield, Ill.; Lawrence J. K. Blades, Northwestern Mutual, New York, N. Y.; Vernon E. Blagbrough, Union Central Life, West Newton, Mass.; Arda C. Bowser, Orlando, Fla.; Lawrence Z. Braun (address unknown); Oscar H. Breidenbach, Southwestern Louisiana Brown (deceased); David G. Cades, Sun Life of Canada, Margate, N. J.; Charles W. Cammack Jr., John Hancock, Charleston, W. Va.; Balie T. Cantrell, Southwestern Life, Lampasas, Tex.; William A. Carrodus, Provident Mutual, Philadelphia; Sanford A. Carroll, Buffalo, N. Y.; Harold O. Cedarholm, North American Life of Chicago, Chicago; Sanford C. Chandler, Life of Virginia, Charlotte, N. C.;

Miss Mansie Y. Chung, Sun Life of Canada, Chicago; William A. Clabough, Provident Mutual, Indianapolis; Basil S. Collins, Old Colony Trust Co., Boston; Miss Grace R. Colton, Springfield, Mass.; Clark M. Comin (deceased); Paul H. Conway, John Hancock, Syracuse; Lovell H. Cook (deceased); Roswell W. Corwin, New England Life, New York, N. Y.; Merwyn D. Cramer, Bankers Life of Iowa, Des Moines; Harry L. Crow (deceased); James W. Daniels, American General, Arlington, Tex.; C. Earl Davis, Connecticut General, Denver; Cecil P. Dawson (deceased); Ross E. Dawson, Guardian Life, Tulsa; Warren H. Day, New

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## Aggressive Selling Will Breed Public Confidence: Reeder

An aggressive selling offensive to combat the impact on the public from insurance legislation now before Congress was advocated by Howard C. Reeder, president of Continental Assurance.

Speaking before the company's Pyramid Club meetings at Minneapolis and Atlantic City, Mr. Reeder urged the industry to be hard-headed about the implications of legislation to provide coverage for the aged.

"Selling insurance of all kinds to more and more individual buyers is one way of making it certain that the private carrier is doing a better job of meeting the across-the-board need of people in all walks of life," he said. "The job the insurance industry is capable of doing will breed confidence in private enterprise versus government subsidy."

"The only issue between the factions advocating the proposed legislation is the form it should take," Mr. Reeder declared. He said he doubted it will be any credit to the insurance industry if the form the legislation takes is the primary concern of the industry.

"We should be concerned with cause rather than effect," he said. "The cure is not in bemoaning our position but in trying to do something about it against the future."

"The big job all of us have to do is in selling insurance in all its forms and in policy amounts appropriate to every segment of our market in its broadest sense," he declared. One way of doing this, he continued, is to concentrate on the vast opportunity in the \$5,000 to \$10,000 a year salaried market. "We love the top 5% of the over-all market, but competition for that business gets keener and more exacting every day. The \$5,000 to \$10,000 market is nowhere near cultivation to the extent needed and the rewards are high for those who will make the effort to get this business."

### First Half Set Record For Sun Of Baltimore

Sun Life of Maryland had its best half year in the six months ended June 30. Agency Vice-president J. L. Hirsh told Sun's President's Club at a regional meeting.

More than 63 million was issued. The rate of increase in insurance in force was up 13%. The field force has increased in manpower 6% in the last 12 months. The company now has \$615 million in force and has more than doubled in size in the last 10 years.

### Group Supervisors Of Washington National Meet

Group supervisors of Washington National met at the home office for a series of sales meetings. In addition to the regular program, five members were recognized for 10 years' service, the annual "quod erat demonstrandum" award winners were announced, and a movie on Bermuda, the 1961 post convention goal, was shown.

### Insurance City Life Has Gains

Insurance City Life reports substantial gains in all areas during the first six months. Earned premiums of \$475,173 compare with \$229,668 for the corresponding period last year, a gain of 106.9%.

## Increasing Group For Married Men Offered By Home

Group Family Protector, a group life plan covering young married men and providing for increased face amounts of insurance as families grow, has been introduced by Home Life of New York. The plan offers a schedule based on the employee's income or occupation in addition to its provision for children.

According to President William P. Worthington, studies have shown that young married men are the most stable, productive and profitable workers. It is expected that this will result in more stable and, on some cases, lower premium rates.

### Adds Human Touch

"The plan helps take life insurance out of the 'fringe benefit' category and adds a human, individual touch to a company's group program," Mr. Worthington said.

The coverage may be paid for by the employee, the employer, or both. Single employees may come into the plan as they marry.

Group Family Protector is part of a newly developed program of group coverages, which includes an expanded small group plan, higher life maximums and improved accidental death and dismemberment and A&S.

### List Times Of Committee Sessions At NALU Meeting

WASHINGTON—Special and standing committees of National Assn. of Life Underwriters will meet on Sept. 12, during NALU's annual convention here.

The committee meetings, which are open to all convention registrants and guests, will all take place at the Statler Hilton Hotel. Room assignments will be indicated by signs and by mimeo flyers.

The schedule of Sept. 12 meetings is as follows:

9:15 Women underwriters, federal law and legislation, affairs of veterans and servicemen, social security, public relations, membership, field practices, and health insurance.

10:30 Aging, state law and legislation, and quality business.

2:00 Group insurance, education and training, and estate planning coordination.

3:00 Associations.

3:30 Constitution and resolutions.

4:00 Agents' activities.

8:30 Associations—association workshop.

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## Text Of Petition In Financed Life Insurance Case Is Given

Here is the text of the petition to the tax court filed by Warren H. Brown and his wife, Jayne J. Brown, as a result of a tax deficiency assessed by the Internal Revenue Service due in part to IRS's refusal to allow credit for a deduction for money borrowed to buy life insurance on the bank-loan or financed basis. The fact that the Browns had been forced to appeal to the tax court was reported some weeks ago in *The National Underwriter*.

The above named petitioners hereby petition for redetermination of the deficiency set forth by the commissioner of internal revenue in his notice of deficiency dated the 11th day of December, 1959, and as a basis of its proceedings alleges as follows:

1. That the petitioners are husband and wife and reside at McCall, Valley County, state of Idaho. That the income tax returns for the period herein involved, to-wit: the years 1951, 1952, 1953 and 1954 were filed with the collector of internal revenue for the district of Boise, Idaho.

### Four Years Involved

2. That the notice of deficiency, a copy of which is attached hereto and marked exhibit "A", was mailed Dec. 11, 1959.

3. That the deficiencies as determined by the commissioner are for income taxes for the calendar years 1951, 1952, 1953 and 1954 and the tax liability amounts to \$814.58 for 1951, \$2,904.10 for 1952, \$4,733.48 for 1953 and \$4,796.72 for 1954. All of such amounts are in dispute.

4. The determination of tax set forth in the notice of deficiencies is based upon the following errors:

a. The commissioner erroneously determined the interest in the sums of \$1,597.22 (1951), \$6,076.36 (1952), \$9,061.60 (1953) and \$9,583.46

(1954) deducted by the petitioners pursuant to section 23 (b) of the internal revenue code of 1939 and Section 163 of the internal revenue code of 1954 do not constitute allowable deductions.

b. The commissioner erroneously determined that the compensation paid for the money borrowed as deducted by the petitioners in the sums of \$1,597.22

(1951), \$6,076.36 (1952), \$9,061.60 (1953) and \$9,583.46 (1954) are not deductible as interest or as any other deductible item under the internal revenue code of 1939 or 1954.

c. The commissioner erroneously determined that the compensation paid for money borrowed in the sums of \$1,597.22 (1951), \$6,076.36 (1952), \$9,061.60 (1953) and \$9,583.46 (1954) was not a proper deduction for the petitioner.

d. The commissioner erroneously erred in proposing to assess the deficiencies as set forth in petitioners' exhibit "A".

e. The commissioner erroneously erred in determining that the interest in the sums of \$1,597.22 (1951), \$6,076.36 (1952), \$9,061.60 (1953) and \$9,583.46 (1954) were, in fact, insurance premiums.

5. The facts which the petitioner rely upon as the basis for this proceeding are as follows:

a. That the petitioners Warren H. Brown and Jayne J. Brown are husband and wife.

b. That the interest in and liability for all property has been and still is

(CONTINUED ON PAGE 18)

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# STEP RIGHT UP, MR. BROKER

\*\*\*\*\*

Here are your tickets to the new Postal Life panorama of profits!!!

There's real business for brokers in each of these six Postal pasteboards—and they are complimentary! A new, full range of attractive contracts... easy-to-sell volume discounts... lower rates for female prospects... a really liberal approach to riders... an updated juvenile portfolio... new, highly competitive policy provisions... important advances in association and membership business which can springboard you into these lucrative markets!

And best of all, when you place your business through a Postal Life General Agent, you benefit in case after case from the close, cooperative relationship built over the years between Postal Life and its GA's. So look this over carefully—then contact the Postal Life General Agent nearest you for full details!

**Volume Discount on All Plans**

\$1,000—2,499	Basic Premium
2,500—4,999	\$1.50 Discount per \$1,000
5,000—9,999	3.00 Discount per \$1,000
10,000—24,999	4.00 Discount per \$1,000
25,000 and up	4.50 Discount per \$1,000

All sales material and proposal forms show the exact discount your client receives.

POSTAL LIFE INSURANCE CO.

**SETBACK IN FEMALE RATES**

A three-year setback in female rates that applies to all policies including term. Then an additional discount for volume... plus new female plans for Retirement Income.

POSTAL LIFE INSURANCE CO.

**ASSOCIATION-MEMBERSHIP**

Select non-professional and professional organizations written at low Group rates... high guaranteed issue... flexible participation requirements... up to \$50,000 issued subject to evidence of insurability.

AL LIFE INSURANCE CO.

**JUVENILE PORTFOLIO**

Full range from Ordinary Life through Limited Payment Life and Endowments to Retirement Income. Juvenile Estate Builder (Jumping Juvenile) with Volume Discount plus Guaranteed Insurability Rider is unbeatable.

POSTAL LIFE INSURANCE CO.

**Extra Postal Features**

Specific ownership eliminates endorsements... 3% interest paid on current dividends and proceeds... 5th Dividend Option available on all policies over \$5,000... exceptionally broad range of liberal settlement options.

POSTAL LIFE INSURANCE CO.

**TERM RIDER PROVISIONS**

Family Income pays up to \$30 per \$1,000-Level Term issued up to 3 to 1 ratio... highest issue version and disability provisions.

POSTAL LIFE INSURANCE CO.

## Values Of CLU Examined By San Antonio Agents

The values of CLU were examined by a panel at the August meeting of San Antonio Assn. of Life Underwriters. Panelists were Fred J. Cox, Massachusetts Mutual, W. W. McGill, Prudential, and Sidney H. Wiedermann, Union Central. Robert W. Jackson, Lincoln National, served as moderator.

Mr. Cox said that his production peak occurred while he was studying for the designation, and he attributed this to the necessity for more efficient use of his time. He said his studies gave him an understanding of motivation for buying insurance.

Mr. McGill said he thought the CLU designation places him on a professional level when meeting with attorneys, CPAs and trust officers, and this results in their respecting his judgment on tax and other business problems.

A CLU background, Mr. Wiedermann said, has helped him in working with agents and in gaining their confidence. The knowledge from CLU study will help in managing an agency, though it will not guarantee a successful agency.

Among other points brought out in the discussion was that the CLU achievement does not automatically attract people, but it does give the agent confidence. Knowing why people buy enables the agent to develop a better approach and programming, and it gives dignity to the approach.



# POSTAL LIFE

exclusively through General Agents

Insurance Company

EST. 1905

511 FIFTH AVENUE, NEW YORK 17, N. Y.

GEORGE KOLODNY, President

## Conn. General Continues To Assail Ban On Life-Property Acquisition

While the idea of fire and casualty insurers forming or purchasing life insurers gradually is being extended, the fight on the New York department's opposition to the formation or purchase of fire and casualty insurers by life companies goes on in the New York courts.

Connecticut General Life, which states that it is determined to acquire control through stock ownership of a fire or casualty company—"for the purpose, among other things, of being on equal terms with its competitors"—argues that though the New York superintendent prohibits a life company from acquiring a fire or casualty insurer, the New York law does not.

The brief which it has filed in the appellate division of the New York supreme court states its position in detail. A reply by the insurance department is due in mid-September.

### No Bar By Statute

Connecticut General argues that the governing New York statutes do not prohibit an out-of-state life company, licensed in New York, from acquiring a controlling stock interest in a fire or casualty company. The company contends that the superintendent is not authorized by sections 42(3) and 193 (2) to prohibit such an acquisition after a cut-off date selected by him.

Section 42(3) does prohibit an out-of-state insurer from doing an insurance business forbidden domestic insurers. But that section and its companion, section 193(2) do not bar a subsidiary or parent of life company from writing fire or casualty insurance. The statute does not contain a cut-off date, nor does it give the superintendent power to do so.

Prior to 1955, the New York depart-

ment for almost 50 years consistently had issued new and annual renewal licenses to out-of-state insurers owning subsidiaries engaged in a kind of insurance forbidden the insurer itself—non-domestic life companies with fire and casualty subsidiaries were licensed in New York, along with non-domestic fire and casualty insurers with life subsidiaries. This practice and interpretation of the insurance law was confirmed by the legislature itself in 1948, Connecticut General points out. At that time the legislature enacted section 67(1) expressly permitting any kind of an insurance company to acquire all or any part of the stock of another insurer of any kind. The only proviso was that the acquisition might not be inconsistent with any other provision of the insurance law or substantially lessen competition or create a monopoly.

### Inconsistent Position

In 1955 when Connecticut General sought to acquire control of National Fire the New York superintendent indicated he would not license Connecticut General if it proceeded with its plan. For the first time the superintendent contended that a non-domestic life company would itself be engaging in fire and casualty insurance if it thereafter acquired a fire and casualty subsidiary. At the same time he took the position that an out-of-state life company was not itself engaging in fire-casualty if it already owned a fire or casualty subsidiary, and that a fire or casualty company with a life subsidiary would not itself be engaging in life under the sections in question, whether it already owned the subsidiary or acquired it in the future.

These positions are still maintained

by the superintendent, the Connecticut General brief points out. He continues to interpret sections 42(3) and 193(2) as prohibiting Connecticut General from acquiring a fire or casualty subsidiary while he continues annually to renew the licenses of Aetna Life and Travelers, which acquired fire and casualty subsidiaries before the superintendent's cut-off date. He also continues annually to renew licenses for many fire-casualty insurers with life subsidiaries acquired both before and after the cut-off date. Aetna Life and Travelers are the two largest stock life companies, in assets, doing business in New York. Connecticut General is the third largest.

The brief characterizes the superintendent's interpretation of the two sections of the law as inconsistent with their legislative history and long standing administrative practice, (back to 1906), as contrary to settled principles of law which recognize the separate corporate existence of subsidiaries operating their own businesses, as "purely arbitrary" in light of continued licensing of competitors of Connecticut General, and as an invalid attempt to legislate by administrative fiat.

### Inequitable Protection

Thus Connecticut General is denied the equal protection of the laws. Action of the superintendent violates the due process clause of the constitution by interfering with the internal affairs of a corporation of another state in a way which serves no reasonable purpose in protecting the people of New York. This is illustrated by the fact that two very similar Connecticut companies are permitted by the superintendent to do exactly what the su-

(CONTINUED ON PAGE 15)

## More Features Of NALU Convention Are Announced

WASHINGTON—An address by one of the country's top life insurance executives, a humorous playlet that points up some "don'ts" in running a life underwriters association meeting and a "Puerto Rican Festival" for women guests are the latest features to be announced for the 1960 convention program of National Assn. of Life Underwriters to be held here Sept. 11-16.

Featured speaker at the Women Leaders Round Table dinner, Sept. 12, will be Clarence J. Myers, president and chairman of New York Life. His subject will be "The Heart of Life Insurance."

Mr. Myers is also president of Life Insurance Assn. of America and the Commerce and Industry Assn. of New York City.

### Play Will Show How Not To

Another Sept. 12 evening highlight will be the premiere performance of "Our Slip is Showing." The one-act play offers a farcical approach to the serious business of running an effective association meeting and will be presented under the auspices of the NALU committee on associations.

The cast of "Our Slip is Showing" is made up of members of the District of Columbia Life Underwriters Assn. and of NALU and LUTC staff members. The play was written by Marvin A. Kobel, NALU director of public relations. Producer is Ann Bickerton, NALU director of field services.

Among the special events being arranged by the host District of Columbia association for women guests during NALU convention week is the "Puerto Rican Festival." To be held in the ballroom of the Mayflower Hotel in the afternoon of September 14, the festival will offer refreshments, music and dancing in the Puerto Rican manner as well as displays of the products of Puerto Rico.

### 'Riverboat Jamboree' Arranged

Other leisure-time diversions arranged for women guests include a tour of the White House, Sept. 13, and a Potomac "riverboat jamboree," the evening of Sept. 14.

All members of the NALU national council are reminded that they must report to the NALU committee on credentials on arrival at the convention. The committee will be in session in the Michigan Room of the Statler Hilton Hotel from 10 a.m., Sept. 12 through noon, Sept. 15.

W. Clarence Carter, Richmond, who is Virginia manager for Fidelity Bankers Life of Richmond, has been chosen by the company as the subject of the first of a series of advertisements honoring its field management staff.

## VARIABLE DOLLAR

counsel and aids on sales training, advertising and merchandising

## KALB, VOORHIS & CO.

Members: New York Stock Exchange  
American Stock Exchange (Assoc.)  
1037 Woodward Bldg., Washington 5, D.C.  
REpublic 7-2424

## A GOOD COMBINATION IS HARD TO BEAT

Take National Casualty's modern portfolio of policies and sales aids. That's a hard-to-beat combination for effective selling. National's modern sales philosophy goes hand in hand with its quality Disability Income, Hospital and Surgical coverages for the Individual, Family, Franchise or True Group case.

### Guaranteed Renewable Policies Available!

Establish and build your own Direct Agency—highly attractive agency appointments in select territories now available. Write today for full particulars—Address: Accident & Health Div., National Casualty Company, Detroit 26, Mich.

## NATIONAL CASUALTY COMPANY

DETROIT 26, MICHIGAN

Accident and Sickness  
Only no premiums

Will you have  
Income Security  
when you need it?

NATIONAL CASUALTY COMPANY  
DETROIT MICHIGAN

REMEMBER—  
IT'S EASIEST  
TO SELL  
THE BEST!



## New Building To House Foundation Life Of Atlanta

ATLANTA—Construction has been started on a \$2 million, eight-story home office building for Foundation Life of Atlanta. President Dan A. Aldridge said the building, to be ready for occupancy early next spring, will be occupied only partly by the life company, leaving about 100,000 square feet available for general business leasing.

The building is being put up on a 5½-acre wooded plot diagonally across Peachtree Road from Lenox Square shopping center, largest regional shopping area in the southeast. There will be several hundred feet of parking spaces for the building's workers and customers of the tenants. Much of the site's natural beauty will be retained.

### Resulted From Merger

Foundation Life was formed recently by the merger of Star Life of Baton Rouge and Fundamental Life of Birmingham into Early American of Atlanta, the name of the merged company then being changed to Foundation Life. It has assets of nearly a million dollars and about \$38 million of insurance in force.

Foundation Life Insurance Service Co. of Atlanta, which supplies various kinds of home office services to client life companies, will own the building and owns half the outstanding shares of Foundation Life.

### Conducts Orientation On CLU Courses At Chicago

Chicago CLU chapter is conducting an "Inside CLU" general information and orientation program designed to answer all questions about forthcoming CLU review courses to be offered at De Paul University. The meeting will be held Sept. 7, 9:30 to 11:30 a.m., room 1552, Field Building, Chicago.

Registration for the first semester of the De Paul University review courses will be Sept. 15-16 at the university's college of commerce, 25 East Jackson Boulevard. Further details on the courses are available from the university or E. D. Tripple, admissions chairman, Rockwood Co., 135 South La Salle Street.

### Mutual Of Omaha Has New Plan For Over 65 Applicants

Mutual Benefit H. & A. has prepared a new plan for offering its "senior security" health insurance to persons when they reach their 65th birthday. The plan of hospital, surgical and nursing convalescent home insurance has previously been available for those 65 and over during national enrollment periods. In an effort to be sure that those now attaining age 65 can also purchase the policy, Mutual of Omaha will allow persons to apply for the policy for a three-month period after their 65th birthday.

The plan contains a renewal safeguard and cannot be cancelled because of the number of times a person receives benefits or because of changes in health. Mutual of Omaha now insures over one million persons age 65 and over.

### Reserve Life Revises Rate Book

Reserve Life of Dallas has made several additions to its rate book. Among these are a new family plan rider, which can be attached to new or existing policies, and a guaranteed insurability rider granting an option

on permanent plans of as much as \$60,000. Nonmedical limits have been liberalized, with a new maximum of \$25,000 up to age 30. Non-medical privileges are available to brokers as well as to the full-time field force.

### Holds Open House

The new home office building of National Travelers Life was open to the public at an open house. The building is of modern, horizontal design, with green Vermont slate on two sides and Mankato stone on the other two.

## Audio-Visual Aids Will Be Subject Of N.Y. LAA Seminars

A seminar on audio-visual selling will be conducted by the Life Advertisers Assn. Sept. 20, at the Essex House, New York.

The seminar will be headed by William A. Loubier, manager of advertising and field publications State Mutual and chairman of the LAA educational committee.

The session will be moderated by Frank C. Elston, director of sales promotion and publications Washington National. Panelists will be Alice R. Mosely, advertising and sales promotion manager, All American Life & Casualty; Allen M. Bailey, director of special projects New York Life; Burton C. Billings, audio-visual specialist Equitable Society; George E. Diehl, public relations manager American United Life; John P. White, advertising manager Lincoln National, and Acheson E. Lucey, director of sales promotion National Life of Vermont.

*The Northwestern Mutual  
point of view in advertising:*

## tune the message to the times

Millions of TIME, NEWSWEEK and FORTUNE readers are seeing the Northwestern Mutual message shown below.

In it, Walter L. Jacobs, President of the Hertz Corporation, discusses with anxious Americans the fundamental wisdom of life insurance in these times.

Advertisements such as this are part of a consistent and continuing campaign designed to put the prospect in a welcoming mood for the Northwestern Mutual agent.

*"Now is the time calmness can  
build immeasurable strength!"*

A message to Americans  
anxious about their families  
by **WALTER L. JACOBS,**  
President,  
The Hertz Corporation

"IN THESE DAYS when we are often beset with tensions of many kinds, it seems to me we should concentrate more than ever on the things which help build up our strength as individuals.

"One of the most fundamental of these, to my way of thinking, is life insurance. Here is a form of individual planning by which a man can, insofar as it is humanly possible, exercise control over his own future and that of those he loves.

"Actually, the whole purpose of life insurance is to replace insecurity with security.

"You use insurance funds for your family's continuous protection, for your children's education, for investment opportunities, inheritance taxes, loan collateral . . . or for your retirement.

"Of course, when you invest in life insurance you also invest in our country, for your money is put to work nourishing the very roots of our economy.

"So I suggest you give your future no frenzied look. See how, through life insurance, you can give it the strength that calmness builds."

A NORTHWESTERN MUTUAL  
POLICYOWNER. Mr. Jacobs owns seven  
Northwestern Mutual policies. He bought his first  
one when he was 22 years old.



*There is a difference!*

**Northwestern  
Mutual  
dividends in 1960:  
\$90 million!**

**DURING THE COURSE** of this year, policyowners of Northwestern Mutual will share \$90 million in dividends.

This is \$7.5 million more than in 1959. In fact, Northwestern Mutual increased its dividend rate eight times in the past eight years—a record never before equaled by another major life insurance firm. Over these same years, dividends on one of our \$10,000 Ordinary Life Policies (issued to a man 35 years of age) increased 27%.

There are good reasons for this.

**High investment return!** An investment portfolio of selected securities and mortgages is under the constant supervision of highly qualified professionals.

**Favorable mortality!** This rate has always been low with Northwestern, but never lower than in recent years.

**Low operating cost!** Home office operations have always been simple. Now, with the added help of electronic equipment, NML employees give even more efficient service to policyowners.

All things considered, it is not surprising that Northwestern Mutual is known as "the dividend-paying company of America!"

Your Northwestern Mutual agent is listed in the phone book. Just call him for more information. The Northwestern Mutual Life Insurance Company, Milwaukee, Wisconsin.



**The NORTHWESTERN MUTUAL LIFE Insurance Company**  
MILWAUKEE, WISCONSIN

"BECAUSE THERE IS A DIFFERENCE"

### First Group Of Migrating Western Life Personnel Arrives In St. Paul

Seventy families of Western Life home office employees arrived this week at St. Paul, where the new home office will be located. They comprised the first contingent of company personnel to make its exodus from Helena, Mont.

The transfer of company headquarters from Montana to St. Paul was decided after Western was acquired

by St. Paul Fire & Marine two years ago. The life company will occupy the fifth floor of the \$6 million home office addition of St. Paul F.&M. The building will be completed in the fall of 1961, and then the home office and remaining personnel of Western will move to St. Paul.

#### 275 New Jobs

The 70 employees were joined by 30 who have been hired from St. Paul. Upon completion of the move, 275 new jobs will have been added to the community.

### Central Michigan Health Agents Choose Tenny

Central Michigan (Lansing) Assn. of Health Underwriters has elected C. Bart Tenny, Tenny agency, president. Other new officers are Henry T. Chadwell, Chadwell & Associates, and Virgil Elliott, American Hospital Benefit, vice-presidents, and June H. Thomas, Furniss Associates, secretary-treasurer.

General Life of Wisconsin reports new business during the first six months amounted to \$14,197,299.

### Lincoln National Conducts Pension Sales School

The first of 30 special pension sales schools has been held at the home office of Lincoln National Life for agents from Indiana and Ohio. The school provides intensive study and discussion of developments in pension planning as well as presentation of the company's new sales material.

Mutual Service Life reports a 12% gain in ordinary life written during the first six months.

# DID YOU SAY...

## "Life Insurance Dollars Can't Combat Increased Cost of Living."

They can at Kansas City Life!  
Kansas City Life's Exclusive Plan

### "THE ECONOMIC PROTECTOR"

Guarantees:

1. Increasing Monthly Income Benefits to Beneficiaries
2. Increasing Yearly Death Benefits to Beneficiaries
3. Completion of Premium Payments on Insured at Age 65


**THERE IS NO OTHER PLAN LIKE IT ON THE MARKET!**

We've spelled out Kansas City Life's answer to the "fixed-dollar" arguments in the next column. We think you'll find it interesting.

## KANSAS CITY LIFE

INSURANCE COMPANY

Home Office/Broadway at Armour/Kansas City, Mo.  
Represented in 41 States and the District of Columbia



The **Economic Protector** protects the beneficiaries against rises in living costs in the years ahead in these ways:

**If the insured dies before he is 65**

Cash payment is made to Beneficiary. Amount of this payment is guaranteed to increase at the rate of 2 1/2% of itself for each year between date of the policy and date of the Insured's death.

**plus**

Monthly Income Payments to Beneficiaries. Beginning when Insured dies before 65th birthday. Payable in amounts guaranteed to increase at the rate of 2 1/2% of themselves for each year between date of policy and date of each payment. Payments continued until date the Insured would have been 65.

**If the insured lives to age 65 or older**

All Premiums are Paid at age 65. But, the amount of fully-paid-up insurance (Paid in one sum on death of the insured) at age 65 is also guaranteed to continue increasing at the rate of 2 1/2% each year after the insured is 65 for the insured's entire lifetime.

**KANSAS CITY LIFE**  
INSURANCE COMPANY



## Analyzes IRS's Financed Life Strategy

(CONTINUED FROM PAGE 2)

patterns: financed bonds and financed annuities. As can be seen from the description of the pertinent statutory provisions, there is no internal revenue code section that would directly disallow the interest incurred to borrow money that is used for the purchase of bonds. The major line of attack which the government has used in these cases is the contention that the payments do not constitute interest.

### Enacted In 1954

As respects financed annuities, the single premium test, referred to above, was not enacted into law until 1954. All the decided cases concern financed annuity situations that arose prior to 1954. These cases, in common with the financed bond cases, involve a Government contention that the payments did not, in fact, constitute interest.

In the financed bond cases, taxpayers were paying interest on alleged indebtedness incurred to purchase Treasury and commercial bonds at a discount. The net effect of these transactions, if the interest on the indebtedness were allowed as a deduction, would be an economic gain to the taxpayers involved (i.e., after effect is given to (a) the amount paid by the taxpayer as "interest", (b) the amount received as purchase discount, and (c) the tax deduction on the interest paid, the taxpayer has a dollar net profit derived purely through application of the internal revenue laws). In most of the cases there was, in fact, no physical purchase of bonds and no transfer of the bonds as collateral to secure the loan. These were paper transactions which were reflected merely as bookkeeping entries.

### Profit Due Solely To Tax

The first two cases to reach the tax court were **Eli D. Goodstein** and **Abraham M. Sonnabend**. The court determined that the transactions were shams which had no valid business purpose, and which could not be recognized for purposes of allowing the interest deduction. The only purpose which the tax court could see in the transactions was the generation of a profit resulting solely from the application of the income tax laws. In subsequent cases the tax court confirmed its original position.

Other courts have been quick to indicate their approval of the tax court's position. Not only have Goodstein and Sonnabend been affirmed by the first circuit, but the second circuit has similarly fallen in line with the tax court. In addition, the court of claims in **Broome vs United States** reached the same conclusion.

### Stanton Won His Case

Recently, in the **L. Lee Stanton** case, the tax court rendered its first decision in this area favorable to the taxpayer. In that case the taxpayer made bona fide bank loans of approximately \$9 million over a two-year period. The principal of the loans was invested in short-term government notes and in non-interest bearing commercial notes. Within the year of borrowing, the taxpayer sold the notes, and paid the bank loans.

However, certain of the banks refused to maintain the loans for the originally agreed period. The court allowed the interest deduction and distinguished all prior cases as involving sham transactions.

The court said, "Once he (the taxpayer) entered into the transactions he was required to do all that he did

do, and no step which he took was lacking in substance or legal effect. He was strictly within the law at all times and the interest deductions which he took . . . were in exact accordance with the express provisions of (the statute)."

In effect the tax court said that the Stanton case involved a true indebtedness. Doubtless, the fact that the banks refused to accept prepayment was instrumental in convincing the court of the bona fides of the transaction.

Stanton is only one pro-taxpayer case, as contrasted with a long string of government victories. Financed bond cases continue to appear on the tax court docket.

Contemporaneously with the financed bond cases, a group of cases dealing with financed annuities arose before the courts. Here, loans were made against the future cash surrender value of annuities. The taxpayers claimed that the interest paid on the loans was deductible. As in the financed bond situations, the taxpayers would have garnered a profit after application of the interest deduction. The profit is normally developed in the following manner: The taxpayer borrows from a bank to prepay all premiums on the annuity.

### Borrows On Future Values

He then borrows against future cash surrender values in an amount in excess of the bank loan which is repaid. The excess retained by the taxpayer is less than the prepayment of interest he makes to the annuity company on the loan against cash surrender value. At this point the taxpayer has an economic loss. However, after the interest payments are discounted by the taxpayer's tax rate, he obtains an economic gain.

Using assumed figures, the computation can be illustrated as follows: The loan against cash value (i.e., proceeds received by the taxpayer) is \$1,000. From this is deducted \$950 repaid to the bank and \$100 in interest paid to the annuity company, for a total of \$1,050. This is a loss of \$50. However, there is a recovery through discounting of interest payments by the taxpayer's assumed 60% interest rate (\$100 x .6), which amounts to \$60, so there is a net gain of \$10.

### Appellate Court Allowed It

In **United States vs Bond**, the first financed annuity case to reach an appellate court, the court of appeals for the fifth circuit allowed the deduction. The court found a formal compliance with the statute which was sufficient to support the deduction.

However, the court of appeals for the second, third and ninth circuits, and the tax court have denied the deduction. Although, in these annuity cases the transactions were not so blatantly paper ones as in the financed bond cases, the courts were not able to find a business purpose for the transactions. They pointed to the fact that no profit could have derived from the borrowings, absent the interest deduction. Given the interest deduction, not only does a tax savings appear but there is actual gain.

### Tax Avoidance Held Sole Gain

In the most recent of these cases, **Diggs vs. Commissioner**, decided by the court of appeals for the second circuit while this memorandum was being prepared, the court said, "Petitioner labors hard to persuade us that there is economic substance, or business purpose, here, but we can discern

in the over-all transaction no possible motive other than one of tax avoidance and no graspable realistic financial benefit other than that."

The financed annuity cases may constitute the vehicle through which the Supreme Court clarifies the entire judicial approach to this area. In February, 1960, **Knetsch vs United States**, the ninth circuit decision noted above, was accepted for review by the Supreme Court. In addition, the court has been asked to review the third circuit decision in **Weller vs Commissioner**, also noted above. At the present

time no decision has been rendered by the court on the Weller request, nor has the court heard argument in the Knetsch case. The Supreme Court has recessed for the summer and no further action on either of these cases can be expected until the fall or winter of 1960-61.

Since 1958 no case, involving the allowability of the financed insurance interest deduction, has been decided by the courts. However, from time to time there have come to light attempts by local revenue agents throughout the country to disallow the interest

Another PLUS for you  
during GUARDIAN'S CENTENNIAL

**GUARDIAN'S**  
**New NC 23**

The only  
**HOSPITAL-SURGICAL**  
**POLICY** for  
Mature Adults 60-80...

that is  
**NON-CANCELLABLE**  
and has a  
**LIFETIME-GUARANTEED**  
**PREMIUM**

Here is a unique new policy for the ever-growing Senior Citizen market, with many *exclusive* features. In addition to being non-cancellable and carrying a premium guaranteed for life, it features a minimum of exclusions. Your clients can choose from *three* benefit plans, and the \$50 Deductible helps keep the cost down.

For complete information about this pace-setting new policy, call the GUARDIAN Manager nearest you for a copy of Pub. 482, or write to—

The **GUARDIAN** Life Insurance Company **OF AMERICA**

Park Avenue South at 17th Street, New York 3, N. Y.





## Can't someone do something about rising costs of Group Major Medical Care?

Yes.

You can. And your prospect (the employer) can.

You've heard the employer's anguished cries as he faces the ever-increasing costs of a major medical expense protection. That means you're faced with the problem of providing him with coverage he can afford.

What's the answer?

Occidental's new **INCOME-BALANCED MAJOR MEDICAL PLAN**. It's a plan graded according to the income of the employee. It gives the employer:

**FLEXIBILITY** The employer specifies what he wants in medical coverage. He picks the deductible, co-insurance percentage, and surgical benefit schedule for his employees, according to their salary class.

**ECONOMY** The employer saves because he pays only for the coverage he needs. No more. He controls the cost by computing his own needs.

It all adds up to a custom tailored major medical plan. Ask us for details.

## OCCIDENTAL LIFE

**Insurance Company of California**  
Home Office: Los Angeles/W. B. Stannard, Senior Vice President  
(A MEMBER OF THE TRANSAMERICA INSURANCE GROUP)

**We pay Lifetime Renewals...they last as long as you do!**

information  
inspiration  
motivation

**TO  
HELP  
YOU  
SELL  
MORE**

## Congratulations

to

### The Members of MDRT

—whose names recently appeared in news releases from MDRT headquarters—and so many of whom are graduates of the R & R Tax and Business Insurance Course!

Ed Stepp, Director  
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deduction on financed insurance. Undoubtedly there have been many more such situations which have not been publicized.

On March 8, 1960, Warren H. Brown, a resident of Boise, Ida., filed a petition in the tax court, contesting a proposed deficiency which was based upon a disallowance of the interest deduction. Mr. Brown borrowed money from the Cleveland Trust Co. and placed as security "certain contracts among which were . . . single premium annuity contracts."

The proceeds of the loans were used to "pay interest, brokerage fees, single premium annuity contract payments, ordinary life insurance premiums. . . ." This is the first post-1958 judicial case that involves the deductibility of interest on financed insurance.

### Local Offices Alerted

The undersigned have been informally advised that the case arose as a result of a memorandum transmitted by the national office of the internal revenue service to local offices, in which the local offices were requested to watch closely the financed insurance area.

The chronological development of the above described interest deduction cases represents a highly competent planning and execution of litigation tactics. The chief counsel's office of the Internal Revenue Service began by litigating the extreme financed bond cases—those cases which were most obvious in their tax evasion motives. Goodstein and Sonnabend, two of the early financed bond cases, were concerned with paper transactions where the bonds that were allegedly purchased were, in fact, never transferred in a purchase transaction.

### IRS Took Next Step

After the courts had little difficulty in disallowing the interest deduction in these cases, Revenue advanced to the financed annuity cases in which taxpayers were pledging their entire annuity cash surrender values. Insurance protection was at a minimum, if it existed at all. See, e.g., Emmons and Weller. When the courts were faced with a financed annuity situation in which there was bona fide indebtedness (L. Lee Stanton), the steady stream of government victories was interrupted, although not halted.

Thus, the government has been moving from the easiest cases (from its point of view) to the more difficult cases. The Warren H. Brown case now pending in the tax court represents the government's attempt to approach one of the more difficult situations (again, from its point of view). When life insurance protection results from the debt transaction, Revenue must surmount the taxpayer's argument that such life insurance provides the business purpose which substantiates the bona fides of the transaction.

### Tied To Other Financing

Whether the government can successfully hurdle this obstacle remains to be determined. It should be noted that in the Brown case, Revenue was careful to select a situation in which insurance financing was coupled with annuity and security financing. In addition, annuity cash values were used as collateral. Accordingly, the insurance protection will be subject to the tinge of the decided financed annuity and financed bond cases. If Revenue is successful in this "combination" situation, it can be expected that they will then approach the pure financed insurance situations.

It can be seen from the careful development of the cases that litigation tactics have and will continue to play a major part in the final determination of whether interest incurred in financing insurance will be deductible. A Supreme Court opinion in the Knetsch case can cut through the careful web of decisions to reach the heart of the tax considerations.

### Warn On Over-optimism

However, too much reliance, at this time, on the Supreme Court opinion would be misplaced. The Knetsch case involves a pure financed annuity situation which does not contain the life insurance protection that is an essential aspect of financed insurance.

In summary, after consideration of all the foregoing, it is the opinion of the undersigned, that pure financed insurance presents a proper case for allowance of the interest deduction under section 163. Notwithstanding this, however, it is likely that a period of litigation will first ensue, in which the various issues heretofore discussed must first be settled.

### Top Reserve Agents Meet

A group of 65 qualifying agents, home office officials and wives have attended a sales conference at San Francisco of Reserve Life of Dallas. Qualification was based on first year commission earnings. Sales results for the year were reported by J. L. Marakas, vice-president and actuary, who also discussed new plans and riders. Sales promotional material was introduced and demonstrated by Sam Backson, sales promotional director.

Winners honored at an award luncheon were: Hawaii agency, best agency performance; Thomas Nii, rookie of the year; Sidney Askew, man of the year; Charles Viles, George Hall and Bernard Driggs, charter members of App-A-Week Club.

New Mexico families increased their ownership of life insurance five-fold in the past decade, according to a study by the Institute of Life Insurance. The present figure: \$2.1 billion.

## Conventions

- Sept. 11-16, National Assn. of Life Underwriters, annual, Statler & Mayflower Hotel, Washington, D. C.
- Sept. 18-21, International Claim Assn., annual, Whiteface Inn, Whiteface, N. Y.
- Sept. 21-23, Life Insurance Advertisers Assn., annual, Essex House, New York.
- Sept. 26, Fraternal Actuarial Assn., annual, Queen Elizabeth Hotel, Montreal, Canada.
- Sept. 26-28, National Fraternal Congress, annual, Queen Elizabeth Hotel, Montreal, Canada.
- Sept. 26-28, Life Office Management Assn., annual, Royal York Hotel, Toronto, Ont., Canada.
- Sept. 28-30, Society of Actuaries, annual, Edgewater Beach Hotel, Chicago.
- Sept. 14-16, Society of Chartered Property & Casualty Underwriters, annual, Statler Hotel, Detroit.
- Oct. 10-11, Conference of Actuaries in Public Practice, annual, Sheraton-Blackstone Hotel, Chicago.
- Oct. 10-14, American Life Convention, annual, Edgewater Beach Hotel, Chicago.
- Oct. 27-29, Midwest Management Conference, annual, French Lick, Indiana.
- Nov. 2-4, Institute of Home Office Underwriters, annual, Statler Hotel, Washington, D. C.
- Nov. 14-17, Life Insurance Agency Management Assn., annual, Edgewater Beach Hotel, Chicago.
- Nov. 28-Dec. 2, National Assn. of Insurance Commissioners, regular meeting, Commodore Hotel, New York.
- Dec. 12-13, Assn. of Life Insurance Counsel, annual, Waldorf-Astoria Hotel, New York.
- Dec. 13, Institute of Life Insurance, annual, Waldorf-Astoria Hotel, New York.
- Dec. 14-15, Life Insurance Assn., Waldorf-Astoria Hotel, New York.
- Dec. 28-30, American Assn. of University Teachers of Insurance, annual, St. Louis.

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## Home Office Changes

### Provident Mutual

M. J. Loose has been elected manager, group sales department. He has been director of sales for General American Life and group claim representative for Connecticut General Life.

### Bankers Life, Ia.

C. G. Conover, agency manager at Van Nuys, Cal., since 1957, has been transferred to the home office and named sales management assistant. He has been with the company since 1947.

### National Life & Accident



Dr. J. P. Glover

Dr. J. P. Glover has been appointed assistant medical director. He has been engaged in private practice in Ashland City, Tenn., where he established the Glover Hospital.

### Connecticut Mutual Life

J. W. Maher, manager of the claim department, has been promoted to assistant secretary, claims. He is a past chairman of Hartford Claims Conference.

R. A. Bacon, actuarial assistant, has been promoted to assistant actuary. He is a fellow of Society of Actuaries.

### Western & Southern Life

New assistant actuaries are W. M. Buchanan Jr. and C. R. Hutchinson. Mr. Buchanan has been group manager of the actuarial department and Mr. Hutchinson valuation manager of that department.

### Home Life Of N. Y.

W. C. Petty, manager at Huntington, W. Va., has been appointed executive assistant in the sales department. He is a CLU. He was at the home office in 1949-51 as agency field assistant.

### Praetorian Mutual Life

T. J. Hoyt has been named assistant to the president in charge of planning and procedures.

### Wisconsin National Life

A. D. Arganbright has been promoted to actuary and R. P. Walker, vice-president and actuary, has been named vice-president and senior actuary.

### Pilot Life

T. A. Barrow has been appointed special assistant in the manpower development program. He was general agent for Minnesota Mutual Life at Birmingham.

N. W. Polak, P. F. Perfetti and R. G. Buis have been appointed management assistants in the management development program. Mr. Polak was with New York Life in Tallahassee, and Mr. Perfetti and Mr. Buis were with Prudential in Pittsburgh and Mobile, respectively.

### Occidental Of California

J. P. Connor has been appointed field superintendent for the eastern and midwestern states. He has been assistant superintendent of agencies.

R. D. Shoulders has been named assistant director of advertising. He was appointed advertising assistant two years ago.

### Equitable Society

A. R. Tollefson, group annuity bureau, and R. M. Johnstone Jr., group actuarial bureau, have been appointed assistant actuaries.

Named mathematicians were R. B. Gaioni, group annuity; Simone Matteo Jr., group actuarial bureau; G. W. Shelly, mathematical bureau; and W. A. Feeney and H. G. Wiebke, policy forms.

R. B. Krieger has been appointed assistant mathematician, group actuarial bureau.

### Ohio State Life

I. M. McCampbell, vice-president, actuary and board member has retired. An employee of the company since 1924, he will remain a director.

**NORTHERN LIFE** of Seattle has appointed S. E. Snyder vice-president. He has been in the company's investment department for the past 34 years.

**G. H. POULSEN & CO.** of Park Ridge, Ill., has appointed Roger Elkins manager of the new pension and profit sharing division.

**WESTERN SECURITY LIFE** has appointed Vice-president C. G. Sabin secretary and G. N. Wilson vice-president and investments director.

**INS. CO. OF WASHINGTON** has been chartered and John Merrifield is president. Other officers: H. E. Butcher, vice-president; Solomon Menashe, vice-president and actuary, and H. W. Trueblood, secretary-treasurer.

**AMERICAN EDUCATIONAL LIFE** has named J. W. Buda, vice-president and agency director, to the board. F. O. Acton Jr. has been appointed as-

sistant agency director and assistant vice-president.

**INTERNATIONAL OPPORTUNITY LIFE** has named Richard C. Malone a director.

**OLD SECURITY LIFE** of Kansas City has named J. B. Sturgis vice-president and general manager.

**FIDELITY BANKERS LIFE** has appointed A. D. Howard, regional director for North and South Carolina, as director of group insurance.

**OLD NATIONAL** of Houston has named J. D. Hines superintendent of agencies for Texas.

**KENNESAW LIFE** has promoted M. G. Pittman Jr., vice-president in charge of A&S, to underwriting vice-president.

**LINCOLN INCOME LIFE**—J. W. Martin, treasurer since 1947, has been named financial vice-president in charge of investments.

**FIRST PYRAMID LIFE** of Little Rock has appointed Forrest Fuller director of sales service.

## OUR PLATFORM:

Life insurance on every member  
of the family—preferably  
with us.



THE  
NATIONAL LIFE  
AND ACCIDENT  
INSURANCE COMPANY  
HOME OFFICE - NASHVILLE, TENNESSEE

## Changes In The Field

### Connecticut General Life

M. T. Vokey, senior brokerage consultant at Brockton, Mass., has been named assistant manager of the Boston brokerage agency.

R. W. Gastil, Los Angeles, has been named assistant manager there.

L. C. Gould, brokerage consultant at Newark, has been named senior brokerage consultant there.

Appointed brokerage consultants are D. G. Allen, Kansas City; G. J. Conley Jr., Chicago; J. G. Ferguson, northwest Los Angeles; E. J. Fitzwilliam Jr., Boston; E. D. Holland, Cleveland; R. G. Smith, Toledo, and Leonard Teperberg, New York.

### Hartford Life

Appointed managers, respectively, at Brooklyn, White Plains, N. Y., and Cincinnati are J. P. Truesdell, formerly superintendent of life and A&S for American Life of New York at New York; C. Mark Barnard Jr., former brokerage manager for Connecticut General Life at White Plains, who succeeds M. J. McIntosh, recently promoted to regional sales director at

Dallas, and C. S. Hohengarten, formerly assistant manager of Connecticut General at Boston.

### Occidental Of California

Gustav Moeller has been named group sales representative at Los Angeles. R. J. Lake, has been transferred from the home office training circuit to a Los Angeles group sales office.

### Security Mutual Life Of N. Y.

E. J. Holycross has been appointed general agent at the new Jacksonville agency. He was director of training for Provident Life & Accident before joining Security Mutual.

### American United Life

J. R. Schaff has been appointed agency manager at Mankato, Minn. For the past eight years he has been with Bankers Life of Nebraska.

### Southland Life

H. W. Wilson, formerly assistant manager at Houston, has been named agency manager at Oklahoma City. C. J. Willis has been assigned to the com-

pany's J. Frank Smith agency at Dallas as assistant agency manager.

### Protective Life

Appointed general agents at the cities designated:

Lakeland, Fla., Charles Zottu, former representative of Peninsular Life.

Pensacola, C. E. Davis, previously district manager for Professional Ins. Corp.

Wichita Falls, Tex., J. W. Townsend, formerly manager there for Continental Fidelity Life.

Tyler, Tex., H. W. Barbee, formerly with Southwest Reserve.

Charlotte, N. C., G. L. Simpson, former life sales supervisor for Allstate. Burlington, N. C., J. F. Brunson, former assistant general agent for Pilot Life.

Baltimore, J. H. Mooney Jr., formerly with Teachers Protective Mutual.

Birmingham (home office agency), A. T. Drennen, formerly with Penn Mutual Life there.

Nashville, C. K. Minton, former district manager for Tennessee Valley Life there.

Alexandria, Va., D. E. Beggs Jr., formerly with Provident Life there. He is a CLU.

### Great-West Life

Named branch supervisors are M. V. Puderbaugh, Columbus, O.; W. T. Shinkle, Kansas City, and J. H. Bealey, Los Angeles.

In the Canadian field, two district managers have been appointed in Ontario: M. A. McParland, Orillia, and G. V. Russell, Chatham.

### Standard Of Oregon

A. L. Bunting has been named district manager for Hayward, Cal., and R. I. Harman district manager at Oakland. C. C. Kippen has been appointed field assistant of the company's agency at Hawaii.

F. J. Becker has been appointed agent for eastern Multnomah County,

### General American Life

E. J. Scheiwe has been named general agent at Atlanta. He started with Continental Casualty in 1952 and joined Mutual of New York in 1955. Since 1957, he has been assistant manager in Atlanta for the latter company.

### Bankers Life, Ia.

Samuel Boardman has been named regional group manager at Tampa. He has been a group representative at San Francisco since 1955.

### Modern Woodmen, Ill.

V. C. Graham has been appointed state manager of New Mexico at Albuquerque. T. E. Gilbert, with offices at Thomaston, has been named state manager of central Georgia.

### Occidental Of N. C.

M. W. Norwood has been named manager at Mobile.

### Security Benefit Life

S. G. Milner has been appointed general agent at Atlanta.

### Sun Life Of Baltimore

The Ossip-Harris agency has been appointed general agent in Miami. E. F. Harris has been named life manager.

### Georgia International Life

Brig. Gen. J. T. Gabbert, USMC retired, and C. T. Manson have been appointed general agents in the military department at Seattle and Arlington, Va., respectively. Mr. Manson has been director of training of Military Serv-

ice Insurance Underwriters at Washington, D. C., and before that was with Life of Virginia.

L. A. Ivey and J. B. Waldrop have been appointed general agents of new agencies at Ft. Smith, Ark., and Roanoke, Va., respectively.

Mr. Ivey has been agency supervisor at Ft. Smith for Preferred Risk Life of Fayetteville, Ark., and is a former secretary of the Ft. Smith Life Underwriters Assn. Mr. Waldrop has been an agent with Mutual of New York. He is a former Roanoke city councilman.

N. R. Carpenter has been appointed resident actuary in the United Kingdom. A fellow of the Institute of Actuaries, he has been with National Provident Assurance in London.

### Manhattan Life

The following have been appointed general agents:

E. L. Leoni at Chicago. He was previously unit manager there with the Warren Woody agency of Equitable Society.

D. L. Zentmeyer at San Francisco. He has been brokerage manager for Occidental Life of California at Van Nuys and before that was with New York Life in Hollywood.

George Kwok at San Francisco. He has been Chinatown district manager of Manhattan's Fixa (San Francisco) agency.

### Jefferson National Life

The following general agencies have been named: State Wide Agency Service, Detroit; L. E. Lambert, Ft. Myers, Fla.; C. A. Weghorst, Dravosburg, Pa.; W. P. Jones, Lewisburg, W. Va., and David Brockert, Globe, Ariz.

### Patriot Life

D. P. White has been appointed general agent at Elmira, N. Y. He has been district agent for Connecticut Mutual Life and before that was with Penn Mutual. A former local chairman of LUTC and CLU, he was secretary of Elmira Estate Planning Council.

### Home Life Of N. Y.

J. M. Martin, office manager and group service representative at Huntington, W. Va., has been advanced to branch manager there, to succeed W. C. Petty, who has been promoted to executive assistant in the home office sales department.

**PIONEER MUTUAL LIFE** of Fargo has appointed A. G. Vande Wiele regional superintendent of agencies for Washington, Idaho and Oregon. He has been district manager at Yakima, Wash.

**FIRST PYRAMID LIFE** of Little Rock has appointed two general agents in Texas: A. K. Van Horn at Lubbock and Robert Jacobs at Muleshoe.

**AMERICAN TRAVELERS LIFE**—Appointed general agent is the Blackmore & Axe agency of Bloomfield, Ind.

**MARYLAND LIFE** has appointed E. J. West regional director of agencies for the North Carolina area, with headquarters at Charlotte.

**APPALACHIAN NATIONAL LIFE** has appointed E. M. Leonard general agent in Newport News, Va. He was with Union Life and Prudential.

**HAMILTON LIFE** of New York has appointed the newly formed Degen agency as general agent in New York City. It is headed by George F. Degen, who has been in the life business 10 years. He has been manager for Phoenix Mutual Life at Worcester, Mass.,

we're in this together



...may as well be friends!

It's a lonely old world unless we work together. We believe that one main reason for National Fidelity Life's 44 year record of achievement is the warm spirit of friendliness and cooperation that has been maintained by NFL with its field associates. Even during the present period of accelerated expansion, NFL continues to offer the personal assistance which has been so basic to the development of a growing and dynamic organization. There is better opportunity for your success at NFL, where we help each other to attain our personal goals.

**NEW POSITIONS** being created for Salaried Supervisors and General Agents.

**FULL LINE** that gives unlimited flexibility Life, Group, A&H, both Par and Non-Par.

**LIBERAL CONTRACTS** L offering you top commissions, salaries, bonuses, and expenses.



Write: Vice President Kemp W. Wood

Remember, NFL cares about you and your future—move forward with NFL

One of the Nation's Strongest by Any Standard of Comparison

**National Fidelity Life** INSURANCE COMPANY • KANSAS CITY 6, MO.  
W. Ralph Jones, President



and Hollis, N. Y., and general agent for Pan-American Life at Newark.

**EASTERN LIFE** of New York has appointed Adolph Amster associate general agent of the Artrose agency in New York. He has been a general agent with Northeastern Life. He started in life insurance with Equitable Society, becoming an assistant manager.

**LINCOLN LIBERTY LIFE** has appointed T. J. Soukup field supervisor for Nebraska, Kansas, Missouri and Colorado.

A. R. Rasmussen has been appointed manager for the Hastings-Grand Island, Neb., area.

**CANADA LIFE**—J. F. Toal has been appointed brokerage supervisor at the Nashem agency at New York City. A. F. Kelly has been appointed assistant manager of the New York City branch.

## Asks For Series About Relations With Producers

Thomas W. Harrison III, president of Harrison & Harrison, Baltimore employee benefit plan consultants, writes:

I have been reading with interest your recent series of articles on policyholder relations. This is good and important.

However, I would like to see a series of articles on life insurance companies' relations with their full-time agents, part-timers and their various types of brokers, etc., and I believe your readers would also.

Here are sample questions I would like to see included in your questionnaire:

"1. What is your company policy and position toward part-time contracts to agents? Define part-timer."

(It never ceases to irritate me when I complete the agent's commission certificate on the back of the usual life insurance application to see a box to be checked for part-timers' commission contract—all the while the company is spouting that they don't do such things.)

"2. What is your company policy and position toward brokers? Their business? How have you handled the situation if you yourselves do not knowingly allow your agents to write general insurance, and yet you aggressively in every way seek life business from general insurance men? Actually the only difference is that you do not house or pay office expenses etc. of the latter agents.

"3. What do you tell your agents to get them to recruit full-time men into the company? What financial incentive is offered?"

Just how do I benefit by bringing in a competitor in my market area? And so it goes. If the life insurance industry complains about the relations between the home offices and the field forces, the blame in my opinion rests with the home offices. No doubt the home offices think differently.

## New Ky. Company

A new life company is being organized in Kentucky under the title Valiant Annuity Life, with headquarters at Louisville. Stock is being sold at \$5 a share, with the intention of starting business as soon as there is a paid in capital of \$125,000 and a surplus of \$437,500. One million shares are to be offered of the 1.5 million authorized, with 250,000 shares reserved for optional purchase at \$5 by

management personnel and no present plans to issue the remaining 250,000.

Among the organizers are Adolph Rupp, basketball coach at the University of Kentucky, and Leslie Combs II, a leading race horse breeder. President is W. Howard Clay, a Louisville attorney, the vice-president is Robert D. Kirtley, a Louisville agent.

## Nashville Insurer Sells Control To Loyal American Life

Loyal American Life of Mobile has acquired control of Sovereign States Life of Nashville. The original plan was to buy 50,000 shares at \$5 a share, but because of the delay that would be involved in issuing the needed additional stock, Sovereign has sold Loyal American 10,000 shares of treasury stock and agreed to sell 40,000 more shares as soon as they can be issued, for a total price of \$250,000, as originally contemplated.

In addition, Loyal American obtained tenders of enough other shares from individual stockholders to assure at least a 51% ownership.

### Metcalf, Wilson Get Posts

Matthew Metcalf Jr., executive vice-president of Loyal American, will also be vice-president and secretary of Sovereign. Emrice Wilson, treasurer of Loyal American, becomes treasurer of Sovereign. Charles C. Deacy has been secretary and treasurer.

Louis Miller continues as vice-president in charge of ordinary agency operations and Cliff Ackerson remains as chief of group operations. It is expected that the company will remain in Nashville and continue to operate as a separate entity.

### Has \$16 Million In Force

Sovereign States has some \$16 million insurance in force, about \$9 million of which is group, the rest being ordinary. It has about \$385,000 in A&S premiums a year. Assets are \$679,000.

Loyal American also owns Hamilton Life of New York and is in turn owned by Reinsurance Investment Co. of New Jersey. The latter, a holding company, also owns American Income Life of Indiana.

## Wants Another 'Blue'—For Prescription Drug Costs

WASHINGTON—A proposal for another "Blue" insurer—Blue Star—to prepay costs of prescription drugs was advanced by Perry N. Zang, manager of the pharmacy department of the R. H. Macy department store of New York. Addressing the American Pharmaceutical Assn. convention here he said:

"It is reasonable to conceive that just as Blue Cross and Blue Shield were sold to the American public, a Blue Star prepaid insurance program might be feasible for presentation."

Mr. Zang suggested that the experience of other countries having nationalized medical programs could provide actuarial data to set up a voluntary prescription insurance plan in this country.

**Fringe benefits** to employees in the insurance business amounted to 27.1% of the total payroll, one of the highest figures for any industry according to the U. S. Chamber of Commerce.

Twenty-four salesmen from 17 agencies of **Bankers Life of Iowa** attended a home office sales training school, the first in a series of three schools offered the company's salesmen.

## Lincoln Income Life To Have Affiliate For Fire-Casualty

Lincoln Income Life is setting up a wholly-owned fire and casualty affiliate to be titled Lincoln Fire & Casualty. The parent will put \$525,000 into the new company to provide \$350,000 capital and \$175,000 surplus. It is intended to get the new insurer into business before next January.

The president of Lincoln F.&C. will be John T. Acree Jr., who is president

of Lincoln Income Life. All other officers of Lincoln F.&C. will be members of the Lincoln Income Life staff. The vice-presidents will be E. L. Browning, who will serve also as general manager, and John T. Acree III, in charge of administration.

July sales of **American United Life** were over \$25 million as a result of a record president's month campaign which ended July 15. Individual sales leaders were Leo A. Barnhorst and Francis B. Quinn, Indianapolis; and Frank E. Sullivan, South Bend.



## "Back at Mount Vernon"

In 1758 George Washington returned to Mount Vernon after serving in the French and Indian War. The following year he married Mrs. Martha Custis, an attractive widow, becoming the guardian of her two children whose companionship he greatly enjoyed.

This reproduction is one in a series of eleven original oil paintings by Walter Haskell Hinton which portray little-known events in the life of our Country's first president, George Washington.

A booklet containing full-color reproduction of all eleven paintings is available upon request. In addition, we hope you will visit us and view the original paintings which hang in our Home Office Gallery.

## Washington National

INSURANCE COMPANY

EXECUTIVE OFFICES • EVANSTON, ILL.



LIFE • ACCIDENT • SICKNESS • GROUP • HOSPITAL • SURGICAL • MEDICAL

## Editorial Comment

### Advertising That Plays Up The Agent

Maybe it's an illusion, but it seems to us that there has been a steady and welcome increase in the amount of life company advertising space that builds up the agent, the importance of his role and the magnitude of his accomplishments. This has been happening, it appears, in magazines of general circulation as well as in the periodicals directed to people in the insurance business. Sometimes the agents services are dealt with in a general way, sometimes specific agents are singled out for praise for their achievements.

It is hard to conceive of a better use for advertising dollars, even though the results may not be apparent at once. Advertising can be designed to produce various reactions among readers. Maybe it's, "That's the kind of strong, reputable company I'd be willing to buy my next policy from." But with so many companies enjoying reputations for strength and solvency, can this emphasis on solidity be made enough of a matter in an ad so as to set the advertiser apart from other good, strong companies?

Or the advertisement might be written to get the reader to feel, "That's the policy I'd like to buy—the next time I buy life insurance," or, "That's the kind of agent I wish I'd bought from last time," has created a friendly feeling toward the company's field men that may often mean the difference between getting the interview and getting the runaround. And of course it's still better if the reader's reaction to the advertisement is, "By golly, that jibes with what I've heard people say about this company's agents."

Naturally, neither a modern line of policies nor a reputation for soundness and fair dealing ever hurt an agent's chances of getting interviews and sales. But they amount to little unless the prospect feels that the agent who wants to see him is the kind of man he'd want to do business with. Otherwise, the finest company and the niftiest products are going to have scant influence.

All this may seem too obvious to

mention, but consider for a moment how it contrasts with other lines of merchandising, where advertising is supposed to justify itself in either selling or helping sell. An automobile buyer, for example, is basically influenced by the car itself—horsepower, handling, economy, status value, or whatever else interests him. He'd probably rather deal with a knowledgeable salesman than an ignoramus, but it wouldn't occur to the typical car buyer to look at the salesman for expert, impartial advice. He hopes the guarantee will be honored without undue stalling and that the service department will be competent and not too rapacious. But these are minuscule considerations alongside the all-important matter of how good the car itself is.

In sales of other kinds of tangibles the buyer is similarly unconcerned about the competence and integrity of the salesman. The buyer is prepared to be the victim of a modicum of sales pressure and incompetence, though hoping that this particular salesman will be an exception to the rule.

Because the salesman's competence is of so little concern in most kinds of sales, there is an unfortunate tendency for this buyer attitude to carry over into life insurance buying. He doesn't realize clearly the great difference it makes to him and his family whether he buys from a competent, conscientious agent, willing to give service and capable of giving it, or from an agent who tries to make sales pressure substitute for the knowledge that he lacks.

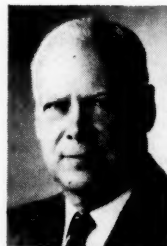
This lack of discrimination as to agents' competence and integrity causes the prospect to feel that all agents are high-pressure. The result is apt to be that he keeps his guard up so effectively that only a really high-pressure agent can even get to talk to this fellow.

If a company could persuade the insuring public that its agents are competent, dedicated men and that it is of the utmost importance to deal only with able, conscientious agents, it is hard to imagine how there could be a greater service than this to the com-

pany, the field force, the life insurance business and the insurance buying public.—R.B.M.

## Personals

**Edwin C. McDonald**, senior vice-president of Metropolitan Life, will



Edwin C. McDonald

lead the Greater New York Red Cross drive next March. He will head a team of 35,000 volunteer workers. Mr. McDonald was vice-chairman of the 1952, 1953, 1955 and 1959 fund campaigns and was elected to the New York chapter's board of directors in 1959 for a three-year term. He is a member of the chapter's public relations committee and served on this year's city-wide fund campaign public information committee.

**Karl W. Cring**, vice-president Pacific National Life with headquarters at San Francisco, is confined to French Hospital there.

**Lauren W. Schleh**, executive vice-president of Detroit Mutual, was injured in an automobile accident and is being confined to Henry Ford Hospital, Detroit.

**George J. Mucey**, Baltimore Life district manager at Washington, Pa., has been elected president of Toastmasters International. He was vice-president last year.

**Milton Weiner**, manager for Equitable Society in New York City, is serving as head of the life insurance agents' group of the 1960 appeal of the Greater New York Fund. A planning meeting of the life insurance committee was addressed by Senior Vice-president **Grant Keehn** of Equitable Society, who is general campaign chairman for the entire fund, and Deputy Mayor **Paul T. O'Keefe**, as well as by Mr. Weiner.

## Deaths

**MEYER H. SACKHEIM**, 86, father of Sol Sackheim who is associate manager of the Great-West Life Schwemm

agency in Chicago, died at Los Angeles, where he had resided after retirement from the insurance business several years ago. For 45 years he had been a life agent and general broker at Chicago.

**Mrs. FANNIE AVERILL EDMUNDS**, 85, mother of Rex Edmunds, president of Fidelity Life & Income Mutual of Benton Harbor, Mich., died there. She was the widow of E. C. Edmunds, former president of the company.

**Mrs. LOUIS I. DUBLIN**, 79, whose husband is consultant to Institute of Life Insurance, died while on vacation in Los Angeles. She was for many years active in housing and welfare activities in New York.

**W. P. FROST**, 63, a leading agent and former general agent of Occidental Life of California, died at Boise, Idaho. He joined the company in 1930 and was general agent at Boise from 1950 to 1954 when he returned to personal production. He was a life member of Occidental's Leading Producers Club and qualified for all Los Conquistadores conventions since they were originated in 1936.

**WILLIAM L. BRYAN**, 70, chairman of Georgia Life & Health, died at Atlanta. He was a founder of the company and its president until last November, when he retired and became chairman.

**DR. REXFORD W. FINEGAN**, 40, medical director of underwriting of Metropolitan Life, died at his home in New York. Dr. Finegan, an authority on risk evaluation, joined the company in 1940 as an examining physician.

## Stocks

By H. W. Cornelius of Bacon, Whipple & Co., 135 S. La. Salle St., Chicago, Aug. 23, 1960

Aetna Life	83 1/2	85
American General	32	34 1/2
Beneficial Standard	14	15
Business Men's Assurance	42	44 1/2
Cal.-Western States	50 1/2	53
Commonwealth Life	19 1/2	20 1/2
Connecticut General	369	375
Continental Assurance	154	159
Franklin Life	69	71
Great Southern Life	69	72
Gulf Life	18 1/2	19 1/2
Jefferson Standard	44	46
Liberty National Life	61 1/2	64 1/2
Life & Casualty	16 1/2	17 1/2
Life of Virginia	52	54
Lincoln National Life	221	225
National L. & A.	105	107
North American, Ill.	12 1/2	13 1/2
Ohio State Life	40	42 1/2
Old Line Life	58	62
Old Republic Life	19 1/2	21
Republic National Life	36 1/2	38 1/2
Southland Life	87	91
Southwestern Life	52	55
Travelers	86	87 1/2
United, Ill.	32	33 1/2
U. S. Life	36	37
Washington National	46	48
Wisconsin National Life	30	32

### L. A. School Teachers Attend Insurance Seminar

A "business in action" workshop sponsored by Los Angeles Life Underwriters Assn. was attended by 115 high school and junior high school teachers.

The curriculum, designed for long-range public education and presentation of career opportunities in insurance, covered five facets: what's behind an insurance policy; what's happening in insurance offices; protection available; career opportunities for students, and classroom use of information.

The teachers toured offices of Continental-National group; Occidental Life of California, and Pacific Mutual.

## THE NATIONAL UNDERWRITER

The National Weekly Newspaper  
of Life and A&S Insurance



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## Comments On The Insurance Field From The Investment Dealer's Chair

By LEVERING CARTWRIGHT

Cartwright, Valleau & Co., Board of Trade Building, Chicago

The main play in the insurance stock field continues to be in the fire-casualty sector, but strength quietly appeared in a few life insurance situations last week. For instance, Jefferson Standard Life which had been in the 39 range moved up to 45; Life Insurance Co. of Virginia advanced from 48 to 53 and Commonwealth Life was in demand, picking up almost a point. National Life & Accident had been steadily climbing back to the 106 level following liquidation which had been climaxed by the sale of a very large block at a price of about 95. In the past an improved life insurance stock market has occasionally been ushered in by strength in the southern companies. Connecticut General Life came up

### Conn. General Assails Life-Property Ban

(CONTINUED FROM PAGE 6)

perintendent seeks to prevent Connecticut General from doing.

The brief notes that the acquisition of National Fire by an exchange of stock would have added about \$45 million to Connecticut General's surplus and "would have given that much more protection to its policyholders."

It points out that in 1955 the attorney general of New York, when asked by the superintendent for an opinion on the proposed Connecticut General-National Fire acquisition, agreed with the superintendent on the interpretation of the investment requirements imposed on out-of-state life companies by section 90(1). However, the attorney general declined to express an opinion on the superintendent's interpretation of sections 42(3) and 193(2), and he cautioned the superintendent that he must apply the insurance law equally to all companies having the same status.

The attorney general indicated that section 90(1) prohibited a non-domestic life company from acquiring more than 2% of the common stock of any company. To avoid this possible construction of the section, the brief states, the legislature in 1958 amended it so that presently it clearly prohibits no specific type of investment. The amended section is not, however, an issue in the present case.

Following the attorney general's opinion, the superintendent proposed a regulation (No. 39), embodying his interpretation of section 42(3) and 193(2). After a hearing, the "regulation" was changed to an "interpretations."

#### Opinion Vs Statute

The lower court (Justice Steuer) upheld the superintendent on sections 42(3) and 193(2). However, the brief of Connecticut General states that the Steuer opinion completely ignores section 67(1), enacted in 1948, which confirms the right of any kind of insurer to acquire all or part of the stock of any other kind of insurer.

Also, the brief observes, that opinion ignores the due process question but does deal with the issue of equal protection of the laws. However, the brief describes its conclusion as "contrary to settled authority." The conclusion was that there is no constitutional protection against unequal treatment at the hands of an administrative official, but only if the wording of a statute works an inequality, "notwithstanding that the unequal treatment here results from the official's construction of a statute." Also, the lower court held that there is no denial of equal protection unless there is granted a "monopolistic advantage" and it is not monopolistic to give only two life companies and the right to have fire-casualty subsidiaries be-

### Colonial Has A&S Policy For Career Women To 62

A guaranteed renewable A&S policy for career women has been brought out by Colonial Life. The policy is available to new applicants up to age 50 and is guaranteed renewable to age 62. It furnishes coverage for loss of time, accidental death and offers optional hospital and surgical benefits.

Two benefit plans are offered—one with a five-year benefit period for accidents and two years for sickness, the other with a two-year accident period and one year for sickness. Both plans are available with optional waiting periods which can serve as low-cost group supplements.

### Eight Mississippi Insurers Found Life Association

Eight Mississippi life insurers have formed Mississippi Life Companies. Assn., which will discuss insurance problems and exchange ideas and information. Elected president was Stone M. Smith, treasurer of Standard Life of the South; vice-president, R. C. Cook, president of Southeastern Life, and secretary-treasurer, John H. Beales Jr., actuary and assistant secretary of Standard Life.

### Lincoln Liberty Sets Seminar

Lincoln Liberty Life's first management seminar for supervisors will be held in Houston, Aug. 28-31. Ten agency managers are expected to attend the seminar: Jerry Burks, James Burnett, B. F. Clifton, James Holsomback, Wayne Loyd, Robert O'Neal, Arnold Rasmussen, William Reid, Thomas Soukup and Charles White. Harry Swinford, training director, and Donald Hermanson, divisional sales director, will conduct the meeting.

California Life has been licensed in South Dakota.

cause there are 68 companies (including Connecticut General) which do not have the privilege.

Actually, the brief points out, there are at least 17 life companies licensed in New York which are part of fleets, in common control or affiliated with a fire-casualty insurer. Here the brief observes "it would seem that the fewer the companies accorded the privilege the greater the monopolistic effect."

The lower court opinion does not explain the source of the superintendent's authority to set a cut-off date into the statute after which acquisition of a fire-casualty subsidiary by an out-of-state life insurer would become prohibited.

There is implicit in the lower court opinion a major erroneous assumption that stock control alone automatically results in a parent corporation doing the business of a subsidiary, Connecticut General argues.

smartly to about 370, an advance of 15 points for the week. Continental Assurance, which had fallen off 20 points from 157, regained favor and closed the week at 150. Commonwealth continued to gain smartly this week, crossing the 20 mark. Continental Assurance advanced to 156.

In the fire-casualty group General Reinsurance has been a star performer. After reaching the 100 mark it went up easily to 116 and there was substantial buying interest at that level.

Continental Casualty again was in demand after retreating about 12 points and closed the week at about 72. Providence Washington, Home, Great American and American of Newark were especial favorites and moved up handily. Aetna Insurance which staged a straight-line run-up from 73 to 98 faltered and was 85 last Friday. Employers Group was strong. Farmers Underwriters Assn., the attorney-in-fact for Farmers Insurance Exchange came in for more buying and advanced to about 44, from 38. This is a recherche situation that was just recently "discovered" by Kidder, Peabody & Co., and there are reports that it is being accumulated by a fund. Truck Underwriters Assn., however, has been dormant. This is attorney-in-fact for the companion Truck Insurance Exchange. Truck Underwriters is quoted about 31, which is about the level of Farmers "Undies" when it was recently "discovered." A third situation under the same roof is Fire Underwriters Assn., attorney-in-fact for Fire Insurance Exchange. It sells at about 35. These operations are similar to those of Allstate, State Farm and Nationwide, yet the Los Angeles situations are the only ones in which the public may get a direct proprietary interest. Incidentally, Dominick & Dominick has just published an extensive study of Allstate without undertaking to relate its value specifically to the shares of Sears, Roebuck & Co. Kidder, Peabody has put on a study on Farmers "Undies."

Merchants Fire responded to the tune of four or five points to an increase in the quarterly dividend rate from 30 cents to 40 cents. Other recent quarterly increases include St. Paul, from 32½ cents to 36, and Pacific Indemnity, from 70 to 75 cents. These may well be forerunners of more extensive increases in the regular rate and in declaration of extra dividends either for the final quarter of this year or for the first quarter of 1961.

One of the services called Transamerica the stock of the month and this added two points to the market of TA.

New Amsterdam Casualty continues to be wooed by two suitors—Fidelity & Deposit and Security of New Haven. It has continued to sell in the range of 53-56 which it reached after its prospective acquisition became known.

A. M. Kidder & Co. is distributing the 10-page "Comparative Study of Life Insurance Companies for 1959" which was prepared by its research man, K. D. Weed. This penetrates the record of 35 companies under some 60 headings—the major brackets being capital stock, net worth, operating results per share, price data, insurance premiums, assets, capital-surplus, policy reserves, insurance in force and written. Mr. Weed voices the opinion that prospects for the future growth of the life insurance industry have increased, not lessened, during the past five years. While the then record highs of mid-1955 may well have represented liberal prices for these stocks, Mr. Weed says he is even more convinced that current prices fail to reflect the growth of the industry and of the individual companies in the last five years. He thinks that these stocks are reasonably priced when they sell from 16-20 times adjusted net operating earnings and at 1½-2 times liquidating values.

J. H. Goddard & Co., Boston, has released its copyrighted "Life Insurance Stock Evaluator."

Incorporated Investors discloses that during the three months ended June 30 they continued to increase their holdings of English insurers and dispose of U. S. companies. They added 35,800 shares of Legal & General Assurance, bringing their total in this issue to 39,000 shares valued at \$1,823,250, and added 34,000 shares of Prudential Assurance, the new total being 41,000 shares with market value of \$1,916,750. During the same period they sold 23,100 shares of Travelers, reducing their investment to 3,500 shares, and they sold 1,000 shares of Aetna Life, with 21,000 shares left. Chairman W. A. Parker and President Charles Devens say that the growth rate of life insurance in England has been substantial and the profitability of the business has increased. They think the future growth rate there is exceptional because of the ground the business has to make up there relative to the U. S. standards. Today life insurance coverage in England is but \$600 per capita compared to \$3,000 here. Also fringe benefits for workers such as are underwritten by commercial insurers have a distance to go before they equal those of the U. S. worker.

Stein, Roe & Farnham Stock Fund reports that during the three months ended June 30 they invested in 2,500 shares of Continental Casualty. Value Line Special Situations Fund sold 1,700 shares of New Amsterdam. Diversified Growth Stock Fund sold 1,000 shares of Connecticut General and had 1,000 left. New York Capital Fund of Canada added 143 shares of Great-West Life bringing its total to 2,643 shares. Eaton & Howard Balanced Fund added 20,000 shares of Employers Group Associates. Eaton & Howard Stock Fund added 10,000 shares of EGA, 1,000 shares of Hartford and 2,000 shares of Travelers. Fundamental Investors eliminated its holdings of 13,700 shares of Connecticut General.

North Central Life of St. Paul has just completed an underwriting of \$1 million on its own without discounts or commissions. This was done by the sale of 142,860 shares of the North Central Co. at \$7 per share. Coincidentally, 82% of the stock of the life company was exchanged for the stock of the holding company in the ratio of 27 for one. North Central Co. will be used primarily to acquire other insurance companies.

Insurance Securities Trust Fund of Oakland completed a study showing that for the past 50 years at least the stock fire-casualty companies, as an industry, have operated at a profit in every single year. The earnings include both underwriting and investment results. The record probably extends even further back but earlier statistics were lacking. Incidentally, this fund which now comprises more than \$430 million of insurance stocks, on Oct. 1 will move to San Francisco, occupying an entire floor in the new Bethlehem Steel Building at 100 California Street.

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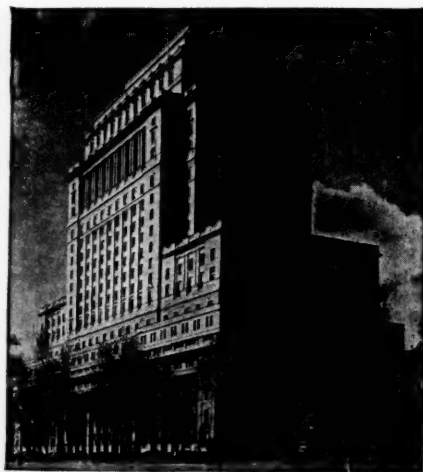
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## O'Mahoney Group Critical Of State Rule

(CONTINUED FROM PAGE 1)

remains to be seen how long such a regulatory structure can stand without substantial improvement in substance and administration."

The basic defects of state regulation discussed in the Patterson study of 1923 are still apparent in the current activities and operations of state insurance departments, the report declares. Many of the defects of state supervision catalogued in the final report of TNEC parallel, and, in various respects, duplicate the conclusions of this subcommittee's report, Sen. O'Mahoney writes.

The report deals only with fact material elicited by the first questionnaire to the state insurance departments.

### 10 Recommendations

There are 10 final recommendations:

—Commissioners should be appointed by a responsible executive (subject to confirmation by the proper state body) and their selection should be made with regard for the appointee's experience and qualifications.

—The tenure of the commissioner should be increased substantially and as far as possible competent commissioners should be continued in office regardless of their political affiliation.

—Salaries of commissioners should be substantially increased.

—Commissioners should not be obliged to undertake any duties other than the regulation and supervision of insurance companies.

—Departmental budgets of most states should be substantially increased.

—Personnel of most departments should be increased. Department work should be undertaken only by full time qualified employees whose pay is sufficient to make them conscious of their responsibilities and free from insurance company or political influence. The employment of special outside examiners should be discontinued. Development of civil service in these departments is highly desirable. Companies should no longer be required to pay salaries of examiners. If they must be charged for examination, the necessary amount should either be collected by a lump sum charge set in advance and paid by the company directly to the state treasury, or, preferably, collected through an appropriate state tax.

### More Examinations

—Supervisory officials should strengthen examination procedures particularly for domestic companies. This effort would include more frequent examinations in some states, more competent examiners, greater publicity to and full release of all examination reports, and examinations which would give greater attention to insurance operations as against the purely financial aspects of the business.

—Closer regulation and supervision of agency practices is required. Present laws for licensing agents are too frequently administered purely as revenue measures. Agents should be required to show more training, better prospects for financial success, and greater knowledge of the life insurance business. Also, supervisory officials should give more attention to such matters as company training courses, sales contests, compensation arrangements, etc.

—The number of policy forms should be reduced and greater attention given to establishing standardized policy forms or policy provisions acceptable in

all states. The present confusion in the field is most undesirable.

—Supervisory officials should more closely scrutinize activities of officers and directors and generally make more thorough checks on the competence and activities of company management.

### Problems And Weaknesses

The subcommittee comments at some length on the problems and weaknesses covered by the recommendations.

With the increased sophistication and specialized knowledge required for effective administration of insurance regulation, separation of insurance regulatory duties from other state services is necessary, it observes. Experience has demonstrated that better regulation is obtained by this separation, and most states have done this separating with positive results.

Commissioners should be selected for administrative and professional talents. By and large, the subcommittee finds, appointment by the governor (with confirmation) has worked effectively. The elective processes appear to be somewhat suspect in selecting commissioners on the basis of their special administrative or professional skills since the electorate may be more concerned with the party emblem than with the candidate's professional insurance qualifications.

Slightly more than half the commissioners presently in office have some professional qualifications for taking that office, according to the report—such as legal or actuarial training or earlier departmental technical activity. The other states generally have been deprived of this talent. The subcommittee would like to see more appointments from departmental ranks, "the best source of personnel." A prime goal of the office should be the free exercise of independent judgments, not overly influenced by commitments arising from past industry associations or possibilities of large future rewards.

### Conflict Of Interest

Commissioners and staff should not hold concurrent employment or advisory connections with industry; nor should they hold pension or reemployment rights or substantial stock or other ownership interests in insurers or agencies. Conflicts of interest will corrupt otherwise honest administrators. The case for state regulation is not advanced when public officials are placed in a position which makes it difficult or impossible to render independent judgments.

The subcommittee urges longer terms of office. Six states have a term of two years, too short for effective administration and continuity of regulatory policies. A minimum of four years appears in the best interest of stable and effective supervision. It takes a new official at least a year to become oriented and acquainted with the job and its responsibilities. There is a rapid turnover even in states with reasonably long terms of office. Many

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## Rule

have before expiration of their term by death, disability, or for more attractive employment. Often the latter is the case. A substantial number of former commissioners now are employed in insurance, directly by a company or indirectly through the private practice of law.

Commissioner compensation in most states is grossly inadequate to attract and retain qualified people. Poor salaries also weaken the environment for honest and efficient administration of supervision. In 1957, three states paid less than \$6,300 per year. Twenty-four jurisdictions pay less than 60% of the governor's salary. The disparity between the pay of commissioners and that of other state officials and comparable employments in private business indicates a serious weakness in state regulation.

## Inadequate Pay

Salaries of technical personnel under the commissioner "are pitifully inadequate in many states." Though many states have high qualifications for hiring department personnel, it is doubtful that these standards are actually met in view of the salaries.

Many states are both understaffed and poorly staffed in the insurance departments—15 departments had no actuaries and did not employ them as consultants. Another 19 states had no attorneys on the staff.

Few departments allow for self improvement programs on department

time for personnel—32 states are in this category; 20 out of the 52 jurisdictions do allow special study on department time. Special study programs should be initiated to raise levels of competence, and certification programs for the more important positions should be inaugurated.

The practice of having examiners paid by the companies being examined "raises serious questions of conflict of interest," the subcommittee charges. Also, there are wide variations between states as to the per diem allowances paid examiners, so that some of the allowances are grossly inadequate and others are excessive. Examiners may not be completely qualified for their positions.

## Examination Laxity

Laxity of examinations is a serious problem in state regulation, the report states. Efficient state supervision requires far greater reliance upon frequent and thorough examinations of companies and organizations than heretofore shown by many departments. Preoccupation of departments with technical rate matters has thwarted or delayed reasonable competition in the fire and allied lines business. If the purpose of the McCarran act in promoting reasonable competition is to be given full expression, the detailed responsibilities of commissioners over rates must be substantially modified to permit a greater play of free competition. The subcommittee believes that the examination system should be a primary focus of the activities of regulation, especially in a more competitive environment "to prevent insolvencies." Effort should be exerted to recruit and retain higher paid, better qualified examiners, free of company influence.

Approximately 4.27% of total revenue collected by way of premium taxes is spent on regulatory activities, the subcommittee found. This underscores the fact that most states view premium taxes as a source primarily for state revenues rather than to support adequate and qualified regulation.

## Discriminatory Taxes

Premium taxes in the various states discriminate in favor of domestic companies and favor certain types of companies over others, thus imposing "significant burdens on interstate commerce." This discriminatory tax structure has its impact on insurance competition.

In several states, the number of pending license applications is quite substantial, which indicates a restraint on possible legitimate competition. Two-thirds of the pending license applications were found in six states.

Certain states indicated they had not examined domestic companies for five years, which suggests to the subcommittee either a shortage of competent personnel or a general laxity of administration. Certain states give insurers advance notice of examinations so that the companies can arrange their records so as to avoid criticism. Study of several examinations led the subcommittee to conclude that for the most part they were conducted by accountants and auditors whose competence was limited to analysis of statistics and financial information. All of the examinations ignored the central issues of the competitive practices of the company or organization under scrutiny. A thorough examination must carefully review all pertinent correspondence and interoffice memoranda to ascertain attitudes toward competition and specific commercial practices.

In many states, capital and surplus requirements for organizing new companies appear inadequate. At the same time, requirements should not be so high as to restrict competition unnecessarily. The subcommittee suggests more uniform requirements, state to state. Wide variations in requirements apparently have as their only purpose the protection of the home market. The requirements of an operating company should be quite different from those of newly formed companies. The subcommittee urges some sort of sliding scale be set up for operating companies based on risks assumed and the size of capital-surplus.

The subcommittee, as expected, charges the states with failing to deal effectively with insurance mergers. The evidence indicates that the departments have devoted little time to checking the reduction of competition through mergers and acquisitions, that many of them are technically un-equipped to handle the problem, and that state law may not give them the authority to cope with the complexities of large mergers.

"This is clearly an area where

amendments to the McCarran act may be needed," the report declares. "To date, the federal anti-trust enforcement agencies have not seen fit to request additional authority in the insurance field. Developments in the industry in the immediate future and the experience of the federal government under the present law will determine the need for any change."

## Liquidation Problem

Liquidations pose interstate problems in doing equity to policyholders residing in several states. Deposit laws are an attempt to protect local insured, but the state regulatory machinery is generally quite incapable of handling the complex liquidation problems of an interstate insurance company operation.

State actions to enforce statutes on restraint of trade, monopoly and unfair trade practices indicates lax supervision. In 30 states, from 1953 to 1957, no formal action was taken involving violations of such statutes. In 10 states only was it possible to deduce that such action had been taken. New York led the list with 83, more than one-third of the total, followed

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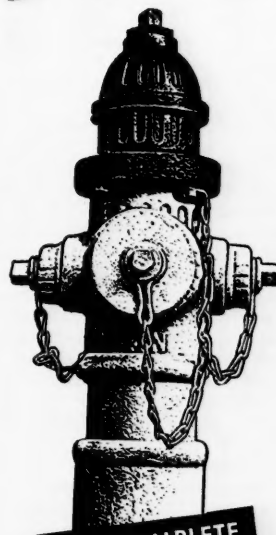
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by Virginia with 59 and Colorado with 15. Most of the cases listed dealt with unfair advertising. Data which would reveal anti-competitive behavior are not sought as a regular part of examination procedures.

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For fast expanding Mid-Western Life Insurance Company with approximately 85 Agents and 35 Million in force. Salary commensurate with ability. Recruiting and training of General Agents and Agents. Full background with first letter. Write Box T-21, National Underwriter, 175 W. Jackson Blvd., Chicago 4, Illinois.

20 years Life and A&H experience, 18 years as General agent same Co. Graduate L.I.A.M.A. and other Management schools. Age 48, excellent health. DESIRE POSITION AS REGIONAL DIRECTOR OF AGENCIES, prefer living in western part of Nation. My Co. knows of this ad. Write Box T-30, National Underwriter, 175 W. Jackson Blvd., Chicago 4, Illinois.

## START FIRE COMPANY?

I have organized fire-casualty company affiliated with Life company in Midwest. Now seek opportunity with Life company in Northeast ready to enter Fire field. C.P.C.U. Box T-36, National Underwriter, 175 W. Jackson Blvd., Chicago 4, Ill.

## DIRECTOR OF SALES

Aggressive man needed to direct 175 agents of this 69 year old Midwest company with over \$70,000,000 of life insurance in force. Salary open. Send resume to box T-40, National Underwriter, 175 W. Jackson Blvd., Chicago 4, Ill.

## OPENING FOR AGENT

We have an outstanding opening for a capable agent. This opportunity in our agency should solve the right man's prospecting problems for all time. If interested, please communicate your qualifications to General Agent, P. O. Box 874, Phoenix, Arizona.

## 25-Year CLU Class To Be Recognized

(CONTINUED FROM PAGE 4)

York Life, Palm Desert, Cal.; Elbridge G. Deane, New York Life, St. Petersburg, Fla.; Robert Diamant, New York, N. Y.; Malcolm G. Drane (deceased); Talmage F. Elwell, Travelers, Seattle; New York, N. Y.; Eugene B. Fisher, National Life of Vermont, Cleveland; Alfred N. Florentz, Union Life of Arkansas, Little Rock; David B. Fluegelman, Connecticut Mutual, New York, N. Y.

Francis B. Foley, Prudential, Newark; Edward A. Frerichs, Security Mutual Life of Nebraska, Lincoln; Omer R. Frey, Bankers Life of Nebraska, Lincoln; Charlton M. Gaines (certificate of proficiency), Acacia Mutual, Washington, D. C.; Albert V. Gartner, (address unknown); William R. Goebel, Northwestern Mutual, Denver; Edwin Gould, Land Title Ins. Co., San Diego; Paul D. Gould (address unknown); Ernest W. Gray Jr., Occidental of California, Omaha; Mrs. Alice E. Roche Hare, Provident Mutual, Howard S. Hatfield, Seattle; Edward C. Hawes, Cumberland Foreside, Portland, Me.; Sam R. Hay, Great Southern Life, Houston; Millar W. Hickox, Los Angeles; Jesse F. Hirschman (deceased); Russell L. Hoghe, Equitable of Iowa, Los Angeles; Roy D. Hudson, Bay Village, O.; Lambert M. Huppeler, New England Life, New York, N. Y.; Owen P. Jacobsen (deceased); Albert R. Jaqua (deceased); Charles Johnston (deceased); J. Brooke Johnston, Equitable Society, Newark; E. Leigh Jones (deceased); Robert C. Jones (address unknown); Josef E. Josephs, New York Life, Charlotte, N. C.; Halsey D. Josephson, Connecticut Mutual, New York, N. Y.

Dean L. Kelsey, Mutual Benefit Life, New York, N. Y.; Hiram E. Kincaid, Massachusetts Mutual, Kansas City; William King, Fidelity Mutual, St. Louis; Martin E. Kohn, Equitable Society, Philadelphia; Herbert J. Krauskopf, Union Central, New York, N.Y. W. Herndon Lackey, Massachusetts Mutual, Oklahoma City; Morris Landwirth, Massachusetts Mutual, Peoria; Robert D. LaPrelle, Equitable Society, Los Angeles; Dick LeBuhn, Massachusetts Mutual, Davenport, Ia.; Alfred C. Lechler, Travelers, Philadelphia; William S. Leighton, Massachusetts Indemnity, Milwaukee; Lester H. Libby, Hartford Life, Springfield, Mass.; Corydon K. Litchard, Massachusetts Mutual, Springfield, Mass.; Frank S. Logg (deceased); Lee J. Loventhal II, Northwestern Mutual, Chicago; Earle H. Lowe, Rotary Printing Co., Norwalk, O.; Loper B. Lowry, Gulf Life, Tampa; Norton J. Lustig, Aetna Life, Kansas City; Herbert W. Mandel, Northwestern Mutual, Detroit; Dabney H. Maury, American Investors Life, Dallas; Spencer L. McCarty, Provident Mutual, Albany; Terrence F. McGaughan, Mutual Benefit Life, Providence.

Gerald F. McKenna (address unknown); Miss Pearl McNeill, New York Life, Winston Salem, N. C.; Thomas W. Melham, Prudential, New York, N. Y.; Melville N. Meyer, Guardian Life, St. Paul; Floyd R. Miller, St. Paul; Howard M. Miller, Prudential, New York, N. Y.; Ludvig C. Monson, Northwestern Mutual, Rockford, Ill.; Joseph W. Morey, Detroit; James E. Moss, Aetna Life, Omaha; John D. Moynahan, Metropolitan, Berwyn, Ill.; Edward S. Murphy, Equitable Society, Buffalo, N. Y.; Emmet J. Murphy, College of St. Thomas, St. Paul; James Neis, Northwestern Mutual, Madison, Wis.; Robert E. Newcomb, Penn Mutual, Philadelphia; Thomas C. Nicholls Jr., New England Life, New Orleans;

David Noble, New England Life, Omaha; J. Mitchell Owens, John Hancock, Washington, D. C.; Jesse T. Owens, Mutual of New York, Oklahoma City; Omar B. Pancoast Jr. (address unknown); Joseph C. Parker (deceased); Edward J. Phelps or Northwestern Mutual, Omaha; Fred W. Pierce, Connecticut General, Los Angeles; Richard B. Porter, (address unknown); James H. Prentiss Jr., New England Life, Chicago; Arthur J. Quigley Jr., Manufacturers Life, Los Angeles.

Harvey W. Redington, Connecticut General, Newark; Robert R. Reno Jr., Equitable Society, Chicago; Theodore P. Rice, West Hartford, Conn.; John H. Rick, Acacia Mutual, Washington, D. C.; John H. Ringe III, Provident Mutual, Philadelphia; Oliver F. Roddey, Penn Mutual, Charlotte, N. C.; William S. Rodgers, Prudential, Tampa; Oscar S. Rome, State Mutual, Chicago; Charles A. Romer (deceased); Edward K. Roth (deceased); Rowland Rutherford, Prudential, Los Angeles; S. W. Sanford, Modern Woodmen of America, Bettendorf, Ia.; Raymond O. Schmidt, Minnesota Mutual, Davenport, Ia.; Hugo R. Schmitt, Penn Mutual, New York; John L. Scripps, Mu-Shackelton, Connecticut General, Utica, N. Y.; J. H. Schreiner, Towers, Perrin, Forster & Crosby, Philadelphia; Charles H. Sims, State Mutual, Greensboro, N.C.; Edgar R. Small, Lincoln National, Peoria; William C. Smerling, Connecticut General, New York, N. Y.; E. Tiel Smith, Connecticut General, Philadelphia; Eldin L. Smith (deceased); Harry J. Spencer, Mutual of New York, Charlotte, N. C.; Thomas Stanion (deceased).

R. Maxwell Stevenson, Berkshire Life, Pittsburgh; Edgar V. Stewart Jr., Travelers, Los Angeles; Warren S. Stone, New York Life, Washington, D. C.; Lester E. Swank, Northwestern National, Waukegan, Ill.; Dean H. Taylor, Equitable Society, Rochester, N. Y.; Austin Thayer, Prudential, El Paso; James W. Thomson Jr., Equitable Society, Newberry, S. C.; Oliver M. Thurman Jr., National Life of Vermont, Mountain Lakes, N. J.; Harold F. Trunk (address unknown); T. Westley Tuttle, Northwestern Mutual, Milwaukee; Francis J. Van Stralen, Massachusetts Mutual, San Francisco; Foster A. Vineyard, Aetna Life, Little Rock; George Vinsonhaler, John Hancock, Boston; Jack White, Prudential, Los Angeles; Fred B. Wiley, Occidental of California, Seattle; Ben H. Williams, Dallas; Frank O. H. Williams, Connecticut General Life, Hartford; Charles M. Winkler (deceased); Clarence W. Wyatt, John Hancock, Boston.

## Petition Of Financed Life Case Is Given

(CONTINUED FROM PAGE 5)

the community property of Warren H. Brown and Jayne J. Brown in managing the affairs of the community estate apply to all transactions.

### Agreed To Pay Compensation

c. That on Nov. 9, 1951, petitioners borrowed \$190,000 from the Cleveland Trust Co., Cleveland, O., and agreed to repay such sum; and, in addition thereto, to pay compensation for such indebtedness.

d. That, thereafter, the petitioners increased said indebtedness November, 1952, to \$258,000; in November, 1953, to \$260,861; in November, 1954, to \$274,861.

That the compensation for such

loans from 3½ to 3¾%, and at a time was agreed to for more than one year.

e. That the money borrowed was represented by a note or notes payable to the Cleveland Trust Co. . . . that such note or notes were an indebtedness within the meaning of Section 23 (b) and 163 of the internal revenue Code of 1939, and 1954, respectively.

f. That such indebtedness and notes were arm's length bona fide transactions and that the petitioners were at all times personally liable on said notes.

### Pledged Annuity Contracts

g. That the petitioners secured said loans by the pledge of certain contracts among which were two single premium annuity contracts in 1951 and three single premium annuity policies in 1952; that the loan value on said annuity policies were at all times less than the amount of the Petitioners' loans.

h. That the Petitioners had to and did arrange additional security for collateral for said loans.

i. That the notes and security were made by the Cleveland Trust Co. . . . under the rules and regulation and statutes of the state of Ohio, and the United States, and that said notes and securities complied with such statutes, rules and regulations and represented indebtedness by petitioners to said Cleveland Trust Co.

j. That petitioners paid for the use of such money represented by said note \$1,597.22 in 1951, \$6,076.36 in 1952, \$9,061.60 in 1953 and \$9,583.46 in 1954.

### Cites Code's Provisions

k. That the internal revenue code of 1939 and 1954 permits the deduction of money paid for use or forbearance of money.

l. That said borrowing of money was done in the ordinary and normal course of business and for the estate, finance the petitioner herein.

That the proceeds received from said loans were used, among other things, to pay interest, brokerage fees, single premium annuity contract payments, ordinary annual life insurance premiums, and for other uses beneficial to petitioners. That the annuity contracts, insurance, interest, brokerage fees, and other expenses as aforesaid were made by petitioners in the normal and ordinary course of business and personal affairs and were made in good faith.

### Cites 'Economic Benefits'

m. That the petitioners received from said loans certain economic benefits, and money to petitioners' advantage.

Wherefore, petitioners pray that the court may hear the proceedings, determine that there is no deficiency as assessed for the years 1951, 1952, 1953 and 1954 and give such other and further relief as in the premises the court may deem fit and proper.

## New Kansas Insurer

United Bankers Life has been formed at Hutchinson, Kan., with paid in capital and surplus of \$300,000. The company is licensed to write life and A&S but will limit its activities initially to credit insurance.

W. Ralph Jones is chairman; J. P. Gorecki president, and William L. Embree and Harold S. Hook are vice-presidents.

The company will have its home office in Hutchinson but the executive office will be in the National Fidelity Life Building, Kansas City.

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## Says '100-to-1' Group Plans Violate Law

(CONTINUED FROM PAGE 1)

code in relation to group life insurance, specifically to inquire if there is any rule or guide which must be followed which would limit the grading of amount of group life insurance death benefits between the largest and the smallest individual certificates and still conform to the group life definition.

"From the observations of our membership, it is not uncommon to find a non-contributory group life policy issued to a single employer with a certificate of \$100,000 on one employee and individual certificates of \$1,000 on each of the other employees. In your opinion would this meet with the standards of the California insurance code?"

### Cites Section 10202(c)

"In posing this question we have in mind whether the above-mentioned grading complies with the standards found in section 10202(c), which reads: '...for amounts of insurance based upon some plan which will preclude individual selection.'"

"We would also be interested whether in your opinion such a case would involve unfair discrimination. We will very much appreciate your views on the subject."

Here is Commissioner McConnell's reply to the association's query:

"Your communication on the above subject has been carefully considered by executives of the insurance department.

"I am advised that subdivision S(c) of section 10202 of the insurance code containing the requirement in group life insurance that policies provide 'for amounts of insurance based upon some plan which will preclude individual selection' and other portions of the code of similar import, have never been the subject of a general ruling or bulletin by any insurance commissioner of this state.

### Passage Basis

"These statutory provisions are considered in passing upon the provisions of each group life insurance policy which is submitted for approval under 10205. It has been customary for the deputy granting these approvals to pass policies which contained blank spaces for the schedules amounts of insurance (depending upon monthly salaries or titles, etc.) provided the policy is accompanied by a sample of typical material ('fill-in material') to be used in the blanks on actual issue in individual cases. The samples of the fill-in material submitted have never indicated the possibility of as wide a variation in amount of insurance as is indicated by the second paragraph of your letter.

### Will Study Examples

"I am advised that if you can bring to our attention specific cases of this kind that we should study the cases to determine whether the individual policies were issued with amounts of insurance disproportionate to any impliedly authorized by the department by approval of the policy form.

"I am advised that department attorneys feel the statutory provisions applicable were intended to prohibit differences in amount as great as those mentioned by you. It is felt a schedule so extreme would be prima facie evidence of a plan to allow 'individual selection' of amount by the one man with the highest salary. Under certain circumstances, such a plan of insurance could show that it was issued for the benefit of the employer in violation of section 10202(d). You state your examples were in non-contributory cases. The impropriety would be more pronounced in a contributory case.

"In respect to your last paragraph, the California laws do not contain a prohibition against discrimination or unfair discrimination in respect to life insurance. On the somewhat vague theory of mutuality as applied to mutual companies only, some right of complaint by other mutual members could no doubt be asserted in civil litigation in matters of this kind. This mutuality theory has never been incorporated in the insurance laws of this state in respect to matters of this sort, and I feel I have authority only to enforce such rules as have been stated to be my responsibility by laws passed by the legislature."

**Auction Bids Top Market In Eastern Stock Sale**  
(CONTINUED FROM PAGE 1)

sold to Sun Life of Canada some years ago, and Judea Life of New York, now Eastern Life.

The sellers of the block were those stockholders who could not be found when Judea Industrial Corp. spun off its Eastern Life stock. Between the time when the auction was first publicized and the day of the auction, the owners of almost 100 shares showed up, however, Judea Insurance Company of Tel Aviv, the other main holding of Judea Industrial, was sold some years ago to Sun Life of Canada.

Milton Sanders, New York lawyer and court-appointed referee for the sale, explained the reason for the auction, an almost unheard-of means of disposing of stock.

"In the last seven months, only 2,500 shares of Eastern Life have been traded," he said. "A sale of this stock would have driven the price down considerably if it had been attempted on the open market. And the best price I was offered for the lot by insurance specialists was about \$20½."

The stock has been selling in the \$23-26 range recently.

### Pleased At Results

Asked what he felt about the auction, Mr. Sanders said he was extremely pleased. Any offer he presented to the court would have had to be reasonably near the liquidating price of \$23, he explained.

The badly air-conditioned Mirror Room of the Martinique became a scene of some tension as the bidding narrowed down to Mr. Sendar and Bernard Fein, of New York. After \$22 or so the bidding proceeded an eighth of a point at a time, but there was no hesitation. Then the auctioneer tried to match better offers for fractions of the total offering to make a greater total than the 27½ offered by Mr. Sendar. But there were few takers.

The sale, which must now be approved by the court, did not go through without some grumbling from minority stockholders to the effect that smaller amounts of the stock should have been available to them at the price of 27½. But Mr. Sanders made it clear that fractional offers did not add up to a sale of the whole block at a better price than that by Mr. Sendar.

As for Mr. Sendar, he denied that he had anything to do with Eastern Life management, and that his only interest was that of an investor. His only previous connection with Eastern had been many years ago when the company turned him down as an applicant for a life policy because of an illness. Mr. Sendar now owns 6% of Eastern Life.

**Knights Of Columbus GAs Hold Meeting At Chicago**

General agents of Knights of Columbus, meeting at Chicago, were complimented by Supreme Knight Luke E. Hart for helping the fraternal attain its first billion dollars in force, a goal which was achieved in June. He pointed out that this was 2½ times the amount in force seven years ago.

Leading general agencies qualifying for the supreme knight award were the Mulhern agency, Provenzano, Boston; Armstrong, San Diego; and Daniel, St. Louis. The Kelly agency of Los Angeles had the highest average policy.

Appearing on the program were W. T. Langhaug, Lutheran Brotherhood general agent at Chicago, and D. Jean Scheetz, agency vice-president of Mutual Protective.

**St. Louis Life General Agents & Managers Assn.** will hold its annual meeting Sept. 9 at Greenbriar Country Club. The program will include golf, a reception and installation of officers.

## Praetorian Mutual Life Celebrates Big First Half With Company Banquet

More than 200 Praetorian Mutual Life agents, home office executives and their wives attended a victory banquet celebrating the company's most successful six-month period. During the first half, the company reached the \$100 million mark of life insurance in force. New business amounted to almost \$20 million, more than the total of all of 1959.

Diamond rings were presented to six agents who led the field force in production, premium, and persistency. They were Walter Montee, Searcie A. Ladner, R. A. Ladner, J. E. Ladner Jr., J. E. Ladner Sr., and Victor S. Morgan. Parchment certificates designating them Praetorian Mutual Millionaires for having individually achieved \$1 million in force were presented to J. M. Frazier and Mr. Montee. Bronze plaques were presented to James E. Ladner Sr., James E. Ladner Jr., Robert A. Ladner and Searcie A. Ladner for fulfilling personal pledges of production in excess of \$1 million. Thomas C. Williams received a plaque for fulfilling a pledge in excess of \$500,000.

### Cape Girardeau (Mo.) Agents Elect

Cape Girardeau (Mo.) Assn. of Life Underwriters has elected James Chenoweth, National Life of Vermont, president. James Miller, Aetna Life, and Jack Slaughter, Prudential, are vice-presidents, and James Bell, Metropolitan Life, is secretary-treasurer.

New business of **National Public Service** of Seattle amounted to \$2.5 million in July and increased 13% in the first six months.

DESIGNED for  
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**THE PLICO 65**  
newest addition to the  
preferred PLICO series plans—  
featuring...

- ✓ a low rate, whole life paid up at 65.
- ✓ \$10,000 minimum issue.
- ✓ issued from ages 10 to 65.
- ✓ waiver of premium.
- ✓ \$5.00 or \$10.00 per month disability income.
- ✓ purchaser benefits for ages 10 to 14.

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MODERN NEEDS

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**INSURANCE COMPANY**

111 NORTH BROAD STREET, PHILADELPHIA 7, PA.

Joseph E. Boettner, C.L.U., President

James H. Burdick, Agency Vice-President

## Service Guide

CONFIDENTIAL NEGOTIATIONS FOR  
SALE OF INSURANCE COMPANIES

**Ralph F. Colton**

30 N. LaSalle St. Chicago 2, Ill.  
Financial 6-9792

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## *... what's your reason?*

YOU can probably think of many reasons for not embarking on the C.L.U. study program this fall. One of the best is "lack of time." Then there's the effort it takes in keeping up with assignments each week and the work of reviewing for examinations. Besides, you've probably heard somewhere that the C.L.U. program has more to do with such theoretical things as economics than it has to with such practical things as salesmanship.

But wait a minute. It's not just happenstance that a significant number of almost any life company's top producers are C.L.U.'s.

And the reason is this: The C.L.U. program stresses the concept of professional service to the life insurance-buying public. And in preparing men to render such service, it provides them with the background and knowledge to use life insurance creatively in serving their client's interests. Salesmanship is important—there's no question about that. But creative selling, fortified with professional standards, produces bigger and better results.

If you don't plan to enroll in the C.L.U. study program this fall, make sure you've got a reason—not an excuse.

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**N/W NATIONAL**  
*Life Insurance for Living*



NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY OF MINNEAPOLIS

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